

Meeting: IESBA
Meeting Location: New York, USA
Meeting Date: December 3-6, 2019

Agenda Item 2

Fees

Objective

1. To consider with a view to approving for exposure the proposed revisions to the fee-related provisions in Section 410¹ of the Code, and related consequential and conforming amendments to the Code.

Comments and drafting suggestions are requested in advance of the Board meeting. Please email them to szilviasramko@ethicsboard.org before **November 29**, if possible.

Task Force

2. Members
 - Ian McPhee, Chair, IESBA Member
 - Michael Ashley, IESBA Member
 - Caroline Lee, IESBA Member
 - Alden Leung, IESBA Member

Activities Since September 2019 IESBA Meeting

Coordination with IAASB

3. The Fees IESBA-IAASB Joint Working Group (JWG) had a conference call after the September 2019 IAASB and IESBA meetings. IAASB and IESBA representatives on the JWG gave a report back on the respective Boards' discussions and agreed on the approach to their coordination efforts until the December 2019 meetings of the two Boards. Following the conference call, the IAASB Representatives of the JWG provided proposed wording to the provisions relating to the appropriate location to the disclosure of fee-related information in the audit report.
4. The Task Force also asked for input from the IAASB's ISA 600² Task Force regarding the Fees Task Force's proposals on public disclosure of fee-related information in a group audit context. The ISA 600 Task Force considered the pertinent Fees proposals and subsequently, at its meeting with the Global Public Policy Committee (GPPC), also asked for the GPPC's views on them. At a subsequent conference call of the JWG on 30 October, the IAASB Representatives provided a report back on the ISA 600 Task Force's and GPPC's feedback.

¹ Section 410, *Fees*

² ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

5. Section F of the issues paper (**Agenda Item 2-D**) includes a summary of the JWG's discussions and feedback received from the IAASB Representatives.

Stakeholder Engagements

6. The Task Force Chair and IESBA Staff had a conference call with the American Institute of Certified Public Accountants' (AICPA) legal counsel on 7 October. The purpose of this call was to understand the relevant U.S. anti-trust laws and obtain a legal perspective as to whether the Task Force's proposals would be operable in the U.S. legal framework. A summary of the input received is included in Section V of the issues paper (**Agenda Item 2-D**).
7. Participants of the Forum of Firms meeting on 3 October and of the IFAC Small and Medium Practices (SMP) Committee meeting on 21 October were presented the developments of the IESBA projects, including the updated proposals of the Fees Task Force. Participants discussed the Task Force's updated proposals and provided their input to the direction of the Task Force's thinking.
8. On 25 November, the Chairs of Non-assurance Services (NAS) Task Force and the Fees Task Force will participate in a conference call with the IFAC SMP Committee's Ethics Task Force to discuss the latest developments relating to the respective projects and the proposals submitted for the December 2019 IESBA meeting.
9. The Task Force Chair will provide a report back on the input received from the above engagements and how the Task Force has addressed the comments as part of the presentation during the Fees session on Day 1 of the Board meeting.

Development of Revised Drafts

10. Taking into account comments provided by IESBA CAG representatives and IESBA and IAASB members during the September 2019 meetings, the Task Force updated its proposals to Section 410 of the Code and circulated them to the Board on 14 of October for advance comments.
11. The Task Force met on 2-3 November to consider the advance comments received from the Board and the feedback provided by stakeholders. The Task Force then developed its revised proposals now presented to the Board for consideration for approval for exposure.
12. The Task Force will circulate electronically its responses to the advance comments provided by IESBA members during October, explaining how the Task Force has addressed those comments in its revised proposals.

Material for IESBA Consideration

13. The proposed changes to Section 410 are included in **Agenda Item 2A**, with mark-ups from the September 2019 IESBA agenda material, including changes proposed for IESBA members' consideration for the second Fees session on 19 September. For reference, the Task Force also has provided the Board with a mark-up version from the extant Code (**Agenda Item 2A.1**).
14. Based on the changes to Section 410, the Task Force has updated the consequential and conforming changes to Part 4A of the Code in **Agenda Item 2B**, as well as the consequential amendments to Part 4B of the Code in **Agenda Item 2C**.
15. The relevant issues and the Task Force's proposals and the matters for the Board's consideration are included in **Agenda Item 2D**.

Materials Presented

For Discussion

Agenda Item 2A	Proposed Revisions to Section 410 (Mark-up from September 2019 IESBA Agenda Material)
Agenda Item 2B	Proposed Consequential and Conforming Amendments to Part 4A (Mark-up from Extant Code)
Agenda Item 2C	Proposed Consequential Amendments to Part 4B (Mark-up from Part 4B (Revised) Approved in September 2019)
Agenda Item 2D	Issues and Task Force Proposals

For Reference

Agenda Item 2A.1	Proposed Revisions to Section 410 (Mark-up from Extant Code)
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Actions Requested

16. The IESBA is asked to:
 - (a) Consider and provide feedback to the proposed changes to the fee-related provisions of the Code, including the consequential and conforming amendments to other sections of the Code; and
 - (b) Subject to consideration of a revised draft incorporating Board comments during the meeting, approve the proposed changes for public exposure.