

Meeting: IESBA
Meeting Location: New York
Meeting Date: March 15, 2021

Agenda Item

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Rollout Initiatives – NAS and Fees

Objective

1. To obtain IESBA members' views on the proposed rollout activities to raise awareness and promote adoption of the revisions to the Non-Assurance Services (NAS) and fee-related provisions of the Code.

Working Group

2. Members:
 - Kim Gibson, Chair, IESBA Member
 - Richard Fleck, NAS Task Force Chair
 - Ian McPhee, Fees Task Force Chair and IESBA Member
 - Sanjiv Chaudhary, IESBA Member
 - Yaoshu Wu, IESBA Member
 - David Clark, IESBA Technical Advisor

The Working Group (WG) is supported by the Staff of the IESBA and IFAC Communications.

Background and Objective

3. In December 2020, IESBA [approved](#) revisions to:
 - (a) The NAS provisions in the International Independence Standards in the Code; and
 - (b) The fee-related provisions of the Code.

Subject to Public Interest Oversight Board (PIOB) approval, the revised NAS and Fees provisions are scheduled to be released on April 28, 2021. The final pronouncements will be effective for audits and reviews of financial statements for periods beginning on or after December 15, 2022. Early adoption will be permitted.

4. During the December 2020 meeting, the IESBA also established a WG with the objective of spearheading rollout initiatives to promote awareness of the final pronouncements and support their global adoption and implementation.
5. The WG met via videoconference to finalize the agenda material for this meeting.

Planned Approach

6. The WG anticipates that stakeholders will need time to familiarize themselves with the final pronouncements and the related Basis for Conclusions documents. Accordingly, the WG has determined that its rollout activities will have three stages:
 - (a) Release of the pronouncements;
 - (b) Initial stage of knowledge building; and
 - (c) Advancement of understanding in the market through to adoption and implementation.
7. Additionally, to facilitate early awareness and understanding of the revised NAS and Fees provisions, the following materials are already available on the IESBA's website:
 - (a) The unofficial IESBA approved texts of the revised [NAS](#) and [Fees](#) provisions; and
 - (b) Mark-up from the exposure drafts of the approved [NAS](#) and [Fees](#) text.

Stage 1: Release of Final Pronouncements

8. The standard release package for any IESBA pronouncement includes a press release, the final pronouncement, the staff-prepared Basis for Conclusions, a staff-prepared Factsheet/ At-a-Glance document, and a "social media kit."
9. To further raise global awareness, the following additional activities will be undertaken through the end of April 2021:
 - The launch of a dedicated independence webpage to support the adoption of the revised NAS and Fees provisions.
 - Short video clips featuring IESBA representatives which will highlight the key changes from the extant NAS and Fees provisions and how these changes benefit the public interest.
 - Interviews or articles published in major media publications highlighting the public interest benefits from strengthening the IIS in the NAS and Fees areas.

Stage 2: Initial Stage of Knowledge Building

10. To promote stakeholders' initial knowledge of the pronouncements, the following activities are planned:
 - At least two 90-minute interactive webinars to be held in May/June 2021 to accommodate participants in different time zones.
 - Staff prepared Frequently Asked Questions (FAQ) for both the NAS and Fees revisions to be released in Q3 2021:
 - In conjunction with the NAS and Fees Task Force Chairs, staff has identified potential topics that will be explored as part of the FAQs (for information, see Appendix 1: NAS FAQ topics and Appendix 2: Fees FAQ topics).
 - Staff will develop the FAQs with input from the NAS and Fees Task Forces. IESBA members will be provided the opportunity to comment on the draft FAQs via email.

- Consideration will be given to targeted outreach prior to the effective date of the pronouncements. Board members will be identified to participate in the outreach.

Matters for IESBA Consideration

1. Do IESBA members agree with the WG's proposals, including its proposed approach for finalizing the FAQs?

Stage 3: Advancement of Understanding upon Adoption and Implementation

11. Building on questions received from stakeholders during stage 2 of the rollout activities (e.g. arising from the interactive webinar and focused outreach), further FAQs might be developed and additional interactive webinar(s) organized as needed.

Collaboration and Coordination with Others

IESBA Workstreams

12. The WG will coordinate its work with other relevant IESBA workstreams as appropriate (for example, with the Technology workstreams, PIE project, and Benchmarking initiative). This will help determine if any of the subject matters covered by those other workstreams should be covered or referenced in any of the WG's outputs, such as webinars or videos.

IFAC

13. Effective communication and global stakeholder engagement are critical to the successful rollout and adoption and implementation of the revised NAS and Fees provisions.
14. IESBA staff is coordinating with appropriate IFAC staff to coordinate awareness raising activities, and to assist Professional Accountancy Organizations (PAOs) and National Standard Setters (NSS) to leverage IESBA-IFAC produced NAS and Fees rollout materials (e.g., articles, videos, etc.) to launch their own jurisdictional rollout activities.
15. The WG anticipates transitioning its activities to IFAC once the pronouncements come into effect in December 2022. This is aligned to the approach taken to the rollout of the Revised and Restructured Code. This transitioning of activities will form part of broader IESBA-IFAC collaboration efforts aimed at promoting adoption, use and implementation of the Code. Details on the transition will be finalized over the next 12 – 18 months.

Other Stakeholders

16. The WG believes that it is important to continually engage with key stakeholders after the release of the pronouncements. In this regard, the WG is planning to mobilize IESBA members and Technical Advisors, the Consultative Advisory Group (CAG), NSS and others as appropriate to assist in undertaking and amplifying the various awareness raising activities. Accordingly, the WG is seeking volunteers to:
 - Participate as presenters or panelists at local, national, regional and international conferences, webinars or other virtual events.
 - Author general and audience-specific articles and publications highlighting key aspects of the NAS and Fees revisions.

Individuals who are interested in volunteering should email SzilviaSramko@ethicsboard.org (Fees revisions) or KamLeung@ethicsboard.org (NAS revisions).

Matters for IESBA Consideration

2. Do IESBA members agree with the WG's plans to transition activities to IFAC A&I after the pronouncements come into effect?
3. IESBA members are asked for views and suggestions about any other matters that might help promote adoption of the NAS and Fees pronouncements.

NAS FAQ Topics

- Expectations relating to the application of provisions for:
 - Self-Review Threat prohibition
 - Communication with those Charged with Governance
 - Advice and Recommendation
 - Materiality
 - Safeguards/Appropriate Reviewer, including interaction with the revisions to address the objectivity for engagement quality reviewers and other appropriate reviewers
- Documentation
- Specific prohibitions, for example but not limited to:
 - Accounting and Bookkeeping
 - Tax avoidance products promoted by the audit firm
 - Expert Witness, for example, class action
- Effective date and transitional period
- Interaction with Technology, for example but not limited to:
 - Impact of revised NAS provisions on new and emerging services
 - Routine or Mechanical
 - Significant off-the-shelf customization
- Transparency about NAS fees including rationale for not including a “fee cap”
- Interaction with PIE Definition revisions
- Applicability of NAS provisions against jurisdictional laws and regulations

Appendix 2

Fees FAQ Topics

- Questions around terminology (e.g., audit fees, fees for services other than audit, fees paid or payable, etc.)
- Review performed as a safeguard in case of fee-dependency
 - Type and extent of the review
 - Interaction between pre-issuance review in S410 and EQR under ISQM2
 - Objectivity and skill set of the reviewer
- Role of regulatory or professional bodies in cases when fee-dependency on a PIE audit client continues for an extended period
- Timing of the communication of fee-related information with TCWG
- Possible ways to targeting communication of fee-related information to stakeholders, with details regarding the timing and location
- Location and format of disclosure of fee-related information in the audit report
- Disclosure in case of pre-existing confidentiality agreement or refusal of the client
- Application of exceptions provided to certain single entities (with examples)
- Determination and calculation of fees in relation to
 - Proportion of fees
 - Fee-dependency
- Documentation
- Effective date and transitional period