

Meeting: IESBA
Meeting Location: Virtual
Meeting Date: September 14-21, 29 & October 1, 2020

Agenda Item 5

Fees

Objectives

1. To receive a full analysis of respondents' comments to the Exposure Draft, [Proposed Revisions to the Fee-related Provisions of the Code](#) (ED).
2. To discuss and provide input to:
 - The Task Force's responses to the significant comments; and
 - The proposed revisions to the fee-related proposals in the ED.
3. To agree on the next steps towards the finalization of the Fees Project.

Task Force Members

4. The Task Force comprises:
 - Ian McPhee, IESBA Member and Task Force Chair
 - Michael Ashley, IESBA Member
 - Liesbet Haustermans, IESBA Member
 - Caroline Lee, IESBA Member

Background

5. In January 2020, the IESBA published the ED. Overall, [64 respondents](#) have provided comments to the ED from a range of stakeholder groups and regions, including Monitoring Group members IOSCO¹ and IFIAR.²

July 2020 IESBA Session

6. The IESBA received a presentation on a high-level summary of the key comments to the ED at the July 22, 2020 IESBA meeting. The Board tentatively agreed to the way forward on the following key matters:
 - The Board supported the Task Force's view that the inherent threats arising from the client relationship is outside the remit of the Fees project and should be considered under a separate project. The Board agreed that the Fees project should continue to address the matter of threats created by fees paid by the audit client.

¹ International Organization of Securities Commissions

² International Forum of Independent Audit Regulators

- Regarding the proposed threshold in case of fee dependency on a non-PIE audit client, the Board broadly supported retaining the approach proposed in the ED and agreed on balance that the 30 percent threshold for non-PIE clients would promote consistent application. The PIOB Observer at that meeting also supported that position, seeing the threshold as acting as an important signaling mechanism.
- The Board also agreed that the enhanced transparency of fee-related information, including public disclosure, is an important element of the structure of the proposals and the Board should aim to provide global transparency in the Code at earliest time possible.

Activities Since July 2020

List of Respondents

7. After the July 2020 IESBA meeting, IESBA Staff has discussed internally and reconsidered the classification of the stakeholder groups presented in the list of respondents in the Appendix of [Agenda Item 1](#) for that meeting. The changes are intended to clarify the distinction between National Standard Setters (NSS) and Professional Accountancy Organizations (PAOs).
8. In the revised list of respondents (see Appendix I of Agenda Item 5-A), PAOs are considered member organizations of professional accountants, of firms, or of other PAOs. PAOs include but are not limited to IFAC member bodies. The list of PAOs also include organizations that have full, partial or shared responsibility for setting national ethics standards, including independence requirements. The list now includes a separate stakeholder group for Independent National Standard Setters (INSS) that have a mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to PAOs.

Task Force Meetings

9. The Task Force has met two times virtually in August. During the meetings, the Task Force further considered the comments from respondents and discussed the way forward in the light of the IESBA's input in July, and developed revisions to the fee-related proposals in the ED.

Coordination with NAS Task Force

10. The Fees and Non-Assurance Services (NAS) Task Forces shared information about the comments received from respondents and coordinated their approach to addressing respondents' comments on overlapping issues between the Fees and NAS Projects. The Task Forces will continue coordinating their work, especially in relation to the scope of related entities involved regarding the topic of communication with those charged with governance about the provision of NAS and fee-related information.

Discussion with Representatives of Consultative Advisory Group (CAG)

11. During the September 2020 CAG meeting, the Task Force Chair will present an overview of the significant comments received on the Fees ED, along with the Task Force's responses to the comments and the proposed revisions to the fee-related proposals in the ED,
12. The Task Force Chair will provide a summary of the CAG Representatives' views and suggestions during the Board meeting.

Matters for Consideration

13. **Agenda Item 5-A** comprises:
 - The analysis of the significant comments provided in the 64 comment letters;
 - The Task Force's responses to the main issues raised by respondents, taking into account the input provided by IESBA members at the July 2020 IESBA session; and
 - The Task Force's proposals regarding revisions to the ED arising from the significant issues raised by the commentators.
14. **Agenda Item 5-B** includes a compilation of isolated comments raising general matters of clarification or comments of an editorial nature. The Task Force provided responses to each comment and indicated whether the suggestions or comments resulted in proposed revisions to the proposals.
15. **Agenda Item 5-C** sets out the proposed revisions to the fee-related proposals in the ED based on the Task Force's proposals presented in Agenda Item 5-A and 5-B.
16. During the session IESBA members will be asked to provide their views regarding the matters raised for the IESBA's consideration in **Agenda Item 5-A**, any feedback on the Task Force's responses in **Agenda Item 5-B**, and comments on the proposed revisions set out in **Agenda Item 5-C**.

Comments on the Task Force's proposals and drafting suggestions are also appreciated in advance of the Board meeting. Please email them to szilviasramko@ethicsboard.org.

Next Steps

17. The Task Force plans to organize targeted outreach and liaise with the following stakeholder groups before the December 2020 IESBA Meeting:
 - Forum of Firms
 - IESBA National Standard Setters
 - IFAC Small and Medium Practices (SMP) Advisory Group (formerly the IFAC SMP Committee)
 - IFIAR and IOSCO
18. Subject to the outcome of the IESBA's discussion in September, the approval of the final text is scheduled for the December 2020 IESBA meeting.

Materials Presented

For Discussion

Agenda Item 5-A	Significant Comments to Fees ED and Task Force Responses
Agenda Item 5-B	Additional Comments to Fees ED and Task Force Responses
Agenda Item 5-C	Proposed Revisions to the Fee-related proposals in the Fees ED (mark-up)
Agenda Item 5-C.1	Proposed Revisions to the Fee-related proposals in the Fees ED (clean)

Fees Cover Note
IESBA Meeting (September 2020)

For Reference

Agenda Item D.1	Nvivo Report to Fees ED – ED Question 1
Agenda Item D.2	Nvivo Report to Fees ED – ED Question 2
Agenda Item D.3	Nvivo Report to Fees ED – ED Question 3
Agenda Item D.4	Nvivo Report to Fees ED – ED Question 4
Agenda Item D.5	Nvivo Report to Fees ED – ED Question 5
Agenda Item D.6	Nvivo Report to Fees ED – ED Question 6
Agenda Item D.7	Nvivo Report to Fees ED – ED Question 7
Agenda Item D.8	Nvivo Report to Fees ED – ED Question 8
Agenda Item D.9	Nvivo Report to Fees ED – ED Question 9
Agenda Item D.10	Nvivo Report to Fees ED – ED Question 10
Agenda Item D.11	Nvivo Report to Fees ED – ED Question 11
Agenda Item D.12	Nvivo Report to Fees ED – ED Question 12
Agenda Item D.13	Nvivo Report to Fees ED – ED Question 13
Agenda Item D.14	Nvivo Report to Fees ED – ED Question 14
Agenda Item D.15	Nvivo Report to Fees ED – ED Question 15
Agenda Item D.16	Nvivo Report to Fees ED – Other Issues
Agenda Item D.17	Nvivo Report to Fees ED – General Questions
Agenda Item D.18	Nvivo Report to Fees ED – Overall Comments