

## ED Question 12

Do you have views or suggestions as to what the IESBA should consider as:

- A. Possible other ways to achieve transparency of fee-related information for PIEs audit clients; and

The respondents' responses for 12 A are divided into 2 groups:

1. Suggestions or views
2. No comments

## 1. Suggestions or views

### **Regulators and Oversight Authorities, Including MG members**

#### **10. United Kingdom Financial Reporting Council (UKFRC)**

See our answer to 011 regarding disclosure in either the financial statements or the auditor's report.

#### **3. Capital Market Authority – Saudi Arabia (CMASA)**

With regard to transparency of fee-related information for PIE audit clients, I would suggest adding the transparency report as one of the communication channels where the fees can be disclosed.

#### **5. Independent Regulatory Board for Auditors (IRBA)**

The previous South African Companies Act required the audit client to disclose the audit fee in the financial statements. This disclosure was well understood and allowed for transparency to all stakeholders.

We are supportive of the inclusion in the auditor's reports as well as in the firm's transparency report. An additional method may be disclosure on the firm's website. However, to fully appreciate the revisions to the IESBA Code, the disclosure of the non-audit fee will need to be considered as well. This will allow for a proper understanding and an evaluation of the firm's independence.

#### **6. International Forum of Independent Audit Regulators (IFIAR)**

We encourage the Board to add more guidance on how to disclose fee-related information as required under 410.25 A3. For example, means of communication by which such information could be made public could include the transparency report or the website of the audit firm.

#### **8. National Association of State Boards of Accountancy (NASBA)**

Disclosure to the public could be limited to the percentages of total fees paid to the auditor for assurance, assurance-related, tax and advisory services. Providing this information would give the public general information about the percentage of the auditor's non-assurance to total fees, which the public could use in judging the auditor's independence.

### **Public Sector Organizations**

#### **12. Auditor General of South-Africa (AGSA)**

To avoid inconsistency in application of this provision, it could be prescribed that the information required by paragraph R410.25 is included in the annual report of the PIE as a separate disclosure.

### **Professional Accountancy Organizations (PAO's)**

#### **17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)**

We believe the Board should consider what guidance can be provided for professional accountants in business who are preparers on how they fulfil their role in making judgements and assessments in relation to auditor independence. This is vital in achieving transparency of fee-related information for PIEs.

#### **20. Association of the Italian Audit Firms (ASSIREVI)**

Please see our response to question 11. above.

#### **22. Chartered Accountants of Ireland (CAI)**

We believe the inclusion of disclosures with regard to fee information in the annual report provides transparency to the public and all stakeholders. We would suggest that the Code suggests that if the fee information is not included in the annual report, that the auditor would have the ability to include it in their report.

#### **23. Compagnie Nationale des Commissaires aux Comptes (CNCC)**

We believe that it is primarily to Those charged with Governance and specifically to the audit committee for the PIE audit clients, to confirm why they consider the auditor to be independent. They should do so to the shareholders who ultimately approve the financial statements in the General Assembly

#### **24. CPA Australia (CPAA)**

Please refer to CPA Australia's response to Question 11.

#### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

Our comments are related to our responses on question 11 above

#### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

We think all firms should disclose their fees related information with the professional bodies they are regulated and the firm's should have mechanism and clarity on how they fix the fee.

We believe that the quality of audit cannot be compromised due to level of audit fee. However, it is fact that the quality has cost means to ensure audit quality, better resources need to be deployed and audit must be conducted in compliance with auditing standards which incur reasonable cost to the firms. We believe that unduly low level of audit fees could create threats to compliance with the fundamental principles and adversely impact audit quality.

In Bangladesh case, ICAB prescribes sector-wise minimum fees' schedule considering the local context in all aspects and receives the fees information from the audit firms through annual returns of the firms through which the Institute can monitor the level of fees charged by the firms and in case of very low fee charged by any firm against any audit client, the quality of audit is subject to review. We believe, this process motivates the firms to maintain and enhance the audit quality and to reduce the undue competition in charging of lower audit fee.

#### **32. Institute of Chartered Accountants in England and Wales (ICAEW)**

Our comments on these matters are included in the responses to the questions above.

#### **33. Institute of Chartered Accountants Ghana (ICAG)**

No, we don't have any other views except that further directives or guidelines should be provided as to the rationale of disclosing fees above 15% of total fees received from a client in relation to transparency of fee-related information for PIE Audit Clients

#### **34. The Institute of Chartered Accountants of India (ICAI)**

We think that the existing provisions are sufficient, and no other measures are required.

#### **35. The Institute of Chartered Accountants of Scotland (ICAS)**

We believe that IESBA's coordination with the International Auditing and Assurance Standards Board is important for IESBA to propose any requirements or guidance on public disclosure of fee-related information. This will help to ensure consistencies between the requirements in respective standard.

### **37. Institute der Wirtschaftsprüfer (Germany) (IDW)**

Auditors of PIEs in the EU publish transparency reports. This is not an issue from the IDW's national point of view.

### **43. National Board of Accountants & Auditors – Tanzania (NBAAT)**

We propose that fee payment issues should be reported as part and parcel of Key Audit Matter paragraph by the auditors to enhance disclosure

### **44. Malaysian Institute of Accountants (MIA)**

We would like to propose for the IESBA to consider fee information reported to audit regulators as an alternative appropriate channel. Actions and concurrence of audit regulators serves as an effective meaningful safeguard on addressing self-interest and intimidation threats.

## **Firms**

### **50. Baker Tilly International (BKTi)**

With regard to fee disclosures, as noted above, we consider that IESBA should consult with the IASB /IAASB as to the appropriate solution to disclosure where not currently required by law and regulation.

### **51. BDO International Limited (BDO)**

We believe that public disclosure of any fee-related information should be a requirement set by the PIE audit client's corporate reporting requirements and not through independence and ethical standards.

### **54. Ernst & Young Global Limited (EY)**

We believe that there should be a coordination with competent authorities and securities exchanges to establish fee disclosure requirements for companies.

Current standards on systems of quality control and proposed ISQM 1 enhance the robustness of a firm's systems of quality control through various means. There needs to be a greater understanding by the public of how the current standards on systems of quality control and proposed ISQM help reduce threats to independence related to fees.

### **55. Grant Thornton International Limited (GTIL)**

GTIL believes the most practical and ideal way to disclose fees is in the audit report, including the footnotes to the financial statements. We believe disclosure in the audit report will provide an appropriate structure and consistency for disclosure, as there are requirements in professional standards and jurisdictions around fee disclosure that must be adhered to.

### **57. Mazars Group (MAZARS)**

Liaise with other standard setting bodies e.g. IASB, to ensure that this information is required to be disclosed in the Annual Report of the PIE client. The Annual Report should include a formal assessment by TCWG on the steps they have taken to ensure auditor independence and their conclusions. The auditor's report in the financial statements already includes a specific confirmation of their independence.

### **58. Moore Global Network Limited (MOORE)**

One possible other way of achieving complete transparency of information might be to put the onus on the client to produce the information, as the entity engaging the different firms for the services, over which the disclosures could then be checked for accuracy by the relevant firms. This is, however, beyond the scope of the IESBA Code of Ethics.

## **2. No comments**

### **Regulators and Oversight Authorities, Including MG members**

#### **2. Committee of European Auditing Oversight Bodies (CEAOB)**

#### **7. International Organization of Securities Commissions (IOSCO)**

## **9. Malaysian Audit Oversight Board, Securities Commission (MAOB)**

### **Public Sector Organizations**

11. Office of the Auditor General of New Zealand (AGNZ)

13. United States Government Accountability Office (GAO)

### **Preparers and Those Charged with Governance**

14. Japan Audit & Supervisory Board Members Association (JASBMA)

### **Independent National Standard Setters**

15. Accounting Professional & Ethical Standards Board Australia (APESB)

16. New-Zealand Auditing & Assurance Standard Board (XRB)

### **Professional Accountancy Organizations (PAO's)**

18. Accountancy Europe (AE)

19. American Institute of Certified Public Accountants Professional Ethics Executive Committee (AICPA)

21. Botswana Institute of Chartered Accountants (BICA)

25. Chartered Professional Accountants Canada Public Trust Committee (CPAC)

26. European Federation of Accountants and Auditors for SMEs (EFAA)

27. Institute for Accountancy Profession in Sweden (FAR)

28. Hong Kong Institute of Certified Public Accountants (HKCIPA)

30. Inter-American Accounting Association (IAA)

35. The Institute of Chartered Accountants of Scotland (ICAS)

36. Institute of Certified Public Accountants of Uganda (ICPAU)

38. Mexican Institute of Public Accountants (IMCP)

39. Institute of Public Accountants (Australia) (IPA)

41. Japanese Institute of Certified Public Accountants (JICPA)

42. Korean Institute of Certified Public Accountants (KICPA)

45. Malaysian Institute of Certified Public Accountants (MICPA)

46. New York State Society of CPAs (NYSSCPA)

47. Royal Netherlands Institute of Chartered Accountants (NBA)

48. South African Institute of Chartered Accountants (SAICA)

49. Wirtschaftsprüferkammer (Germany) (WPK)

### **Firms**

56. KPMG IFRG Limited (KPMG)

60. PricewaterhouseCoopers International Limited (PWC)

61. RSM International Limited (RSM)

### **Others**

62. US Center for Audit Quality (CAQ)

63. IFAC Small and Medium Practices Committee (IFAC SMPC)

**64. Porus Pavri (PP)**

## ED Question 12

Do you have views or suggestions as to what the IESBA should consider as:

- B. Information to be disclosed to TCWG and to the public to assist them in their judgments and

The respondents' responses for 12 B are divided into 2 groups:

1. Suggestions or views regarding
2. No comments

## 1. Suggestions or views

### **Regulators and Oversight Authorities, Including MG members**

#### **1. Bangladesh Financial Reporting Council (BFRC)**

Based on Bangladesh jurisdiction situation, where many of the audit assignment fees are low to the point that it becomes difficult for audit firms to spend sufficient time and depute high skilled auditors to complete the job with quality and ethics. Bangladesh and other jurisdictions (such as Malaysia) may have a suggested fees schedule, where the fees calculation is prescribed based on hourly rates of time spend by auditors as well as based on turnover or asset value of the auditee company. Sometimes this suggested fees are way high than the actual agreed fixed fees. One way to overcome this problem could be to let the company and/ or the auditors disclose the fact how much is the agreed fees, which is already proposed in the exposure draft (new para R410.25) and how much is the estimated expected fees based on the fees schedule issued by an independent authority. This could be done by inserting a new line in para R410.25, as shown below-

The proposed revision is in red font, para (c), mentioned/ inserted below.

R410.25 The firm shall be satisfied that the following information is publicly disclosed in a timely and accessible manner:

(c) A comparison of the fees as disclosed under (a) and the estimated expected fees in compliance of guidelines, rules or regulations of the jurisdiction, if any; and

(d) If applicable, the fact that the total fees received by the firm from the audit client represent, or are likely to represent, more than 15% of the total fees received by the firm for two consecutive years, and the year that this situation first arose.

Reason for the change: By disclosing the information, stakeholders would have an opportunity to know, comment, discuss the reliability, quality and ethical compliances of the audit and the management would be under pressure to fix the situation at least for future years.

#### **3. Capital Market Authority – Saudi Arabia (CMASA)**

For paragraph 410.25, I would suggest adding some language to indicate that such fees should be disclosed for each engagement separately and not on total basis.

#### **8. National Association of State Boards of Accountancy (NASBA)**

Disclosure to the public could be limited to the percentages of total fees paid to the auditor for assurance, assurance-related, tax and advisory services. Providing this information would give the public general information about the percentage of the auditor's non-assurance to total fees, which the public could use in judging the auditor's independence.

#### **10. United Kingdom Financial Reporting Council (UKFRC)**

For TCWG, the auditor should disclose the nature and related fees of all non-audit services provided by the firm and members of its network to the audited entity and its related entities. That is information that will assist TCWG form their own assessment of the threats to the auditor's independence. The requirement in

paragraph R410.23 focuses only on the amount of such fees - the matters that are identified in paragraph 410.23.A 1 as "might" be communicated should also be required to be communicated unless such communication is prohibited by law or regulation. Information regarding services provided to a parent entity should also be disclosed to TCWG where relevant to understanding threats to the auditor's independence.

### **Independent National Standard Setters**

#### **15. Accounting Professional & Ethical Standards Board Australia (APESB)**

In addition to the comments made in relation to Question 11, APESB recommends the IESBA consider whether additional guidance could be developed in the Code in relation to the classification of various services such as 'audit-related services,' 'other assurance services,' 'tax services' and 'other services.' During the recent PJC inquiry in Australia, it became apparent that many companies and audit firms were not consistently classifying these services into different service categories.

The Revised Ethical Standard issued in December 2019 by the Financial Reporting Council (UK) includes guidance on what services would be captured by the terms listed above. APESB is of the view this could provide surety on what types of engagements fall into these categories and, therefore, what prohibitions or requirements apply to the provision of that service

#### **16. New-Zealand Auditing & Assurance Standard Board (XRB)**

Public transparency of fee-related information is important as it allows users to form their own conclusions as to independence. However, as noted in response to the preceding question, the NZAuASB considers that it is important to distinguish between fees for audit/assurance and related services from fees for other services, as well as fees paid to other firms for assurance and non- assurance services.

The ability of users to make decisions depends on the "decision usefulness" of the information presented. Fuller disclosures provide for better decision making.

It is good governance practice for those charged with governance to be aware of the services the auditor performs for the entity. The NZAuASB is also of the view that it is the responsibility of management, rather than the auditor, to provide such information to those charged with governance.

### **Professional Accountancy Organizations (PAO's)**

#### **18. Accountancy Europe (AE)**

We would like to note that, within the standard procedures when negotiating the audit fee and obtaining approval for the provision of a non-assurance service, audit committees are already involved and provided with fee-related information. There are also certain requirements for auditors in the International Standards on Auditing (ISAs) regarding the communication with TCWG. In practice, we see that the level of interest from TCWG differs from one entity to another. Therefore, auditors should be required to communicate only essential information that will be used by TCWG.

#### **20. Association of the Italian Audit Firms (ASSIREVI)**

Please see our response to question 11. above.

#### **23. Compagnie Nationale des Commissaires aux Comptes (CNCC)**

The auditor's independence is also confirmed to the public through the statement in the auditor's report that the auditor is independent

#### **24. CPA Australia (CPAA)**

Please refer to CPA Australia's response to Question 11

#### **25. Chartered Professional Accountants Canada Public Trust Committee (CPAC)**

Generally, we believe the information needs of TCWG and the public should be considered separately and established in order that information that is provided will be effective. Feedback received through our consultation noted that fees are just one factor of what may be needed, and that TCWG can exercise their responsibilities to identify the information necessary for carrying out their responsibilities.

### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

See our comments in question 11 above.

### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

We think the requirement of formal interaction among auditor, TCWG and shareholders should be considered in the proposed revision of standards so that it can be the part of the code and which will help audit firms to compel the audit clients to have such arrangement formally including the fee negotiation. Through this process, the firm may have better opportunity to share information to be disclosed to TCWG and to the public to assist them in their judgments and assessments about the firm's independence. It will also help to increase the audit fee rationally.

### **32. Institute of Chartered Accountants in England and Wales (ICAEW)**

Our comments on these matters are included in the responses to the questions above.

### **33. Institute of Chartered Accountants Ghana (ICAG)**

We support disclosing the percentage of the client's fees to the audit firm to TCWG, but no other stakeholder. Other than that, we do not have any other suggestions.

### **34. The Institute of Chartered Accountants of India (ICAI)**

We think that the existing provisions are sufficient, and no other measures are required.

### **38. Mexican Institute of Public Accountants (IMCP)**

Yes, but not in assisting TCWG or the public in assessing about the Firm's independence threats evaluation.

### **39. Institute of Public Accountants (Australia) (IPA)**

Disclosure of fees should also include fees paid to other accounting firms for services provided to the audit client which would provide a better picture over total fees paid to other firms compared to audit fees.

### **40. Institute of Singapore Chartered Accountants (ISCA)**

As mentioned in question 5, we recommend that IESBA develops the concept of "audit-related services" and excludes "audit-related services" from the computation of the proportion of fees for services other than audit to audit fee.

We also believe that a separate category of "audit-related services" as per UK FRC Revised Ethical Standard 2019, would better clarify the nature of services provided by audit firm and its network firms to audit client and assist the public in their judgments and assessment about the firm's independence. Accordingly, we recommend that IESBA requires "audit-related services" to be separately disclosed from other NAS.

### **42. Korean Institute of Certified Public Accountants (KICPA)**

We have no other specified suggestions besides those suggested in the ED, but as for the public disclosure of fees, the disclosure classified into three - fees for the audit of the financial statements, fees for audit-related services, and fees for services other than audit – could contribute to supporting stakeholders make decisions about the firm's independence.

### **44. Malaysian Institute of Accountants (MIA)**

We do not have further suggestions on this matter.

### **48. South African Institute of Chartered Accountants (SAICA)**

SAICA believes that the application material appears adequate. The term "independent reviewer" is the same as "independent reviewer" as used in the International Standard Review Engagement (ISRE) 2400, Engagements to Review Historical Financial Statements, , and we would suggest rephrasing the term. If an "independent review" is used as a safeguard, we believe that a representation or statement that the review was carried out by a suitably qualified and independent professional firm/accountant should be

communicated to those charged with governance, not all clients report the fee-related information in their annual financial statements.

SAICA believes more guidance is needed on how the fee-related information should be disclosed and whether this is applicable to both PIEs and non-PIEs.

#### **49. Wirtschaftsprüferkammer (Germany) (WPK)**

Please note that audit committees are already involved and provided with fee-related information in the process of negotiating the audit fee and obtaining the approval for the provision of a non- assurance service. Additionally the ISAs contain requirements for auditors regarding the communication with TCWG. Auditors should be required to communicate only the essential information that will be used by TCWG.

### **Firms**

#### **51. BDO International Limited (BDO)**

Information to be disclosed to the public of a PIE audit client:

We believe that auditor independence is a shared responsibility between the audit firm and TCWG. In many jurisdictions the auditors are also required to disclose that they are independent within the auditor's report and corporate reporting requirements in certain jurisdictions allow TCWG to disclose the steps taken to ensure their auditor's independence.

We do not believe it is necessary for the public to have sufficient information to make their own judgments and assessments about the firm's independence, rather they should be provided with sufficient information to have the confidence that TCWG have fulfilled their responsibilities to make this assessment. Therefore, we do not believe the Code should require any public disclosure of fees and R419.25 and related application material should be removed from the proposed standard.

#### **53. Deloitte Touch Tohmatsu Limited (DTTL)**

Regular and open communication between the audit firm and TCWG is extremely important and we support efforts by the Board to strengthen guidance on such communications. The Board proposes significantly increasing the information to be communicated to TCWG, which will now be contained in various different sections of the Code and ISA 260, Communication with Those Charged with Governance, (including extant provisions such as breaches, and proposals in this and the NAS ED). We suggest the Board consider placing all the matters that are required to be communicated to TCWG in one section (for PIEs and non-PIEs) to ensure clarity and understanding for audit firms and TCWG and help ensure consistency in application.

We have no comments with regards to additional disclosures. However, we suggest for the Board to continue to coordinate with the IAASB on this topic.

#### **54. Ernst & Young Global Limited (EY)**

We support strengthening the communication with TCWG to achieve transparency of fee-related information for PIEs audit clients. We would also encourage IESBA to explore the possibility to differentiate the requirements between listed PIE and non-listed PIE entities and communication with TCWG. There also needs to be a greater understanding by TCWG of requirements such as proposed ISQM 1 and ISA 220 and the rigor of those standards.

The IESBA describes in proposed paragraph 410 .25 A3 (b) that if the fee-related information is not disclosed by the audit client , the firm might make the required disclosures in a manner “ deemed appropriate for the circumstances.” We note that the firm would need to obtain the client 's permission to disclose the fee-related information since this would be the client 's confidential

information. The IESBA should consider what alternatives would be appropriate in the event the client does not disclose the fee-related information and does not grant the firm permission to disclose such client confidential information. Additionally, we further believe it would be helpful if the IESBA consider including as an example under sub-point (b) that as an alternative to including the disclosures in the auditor's report the firm could attach a schedule to the auditor's report that provides for disclosure of the fee-related information, including any additional descriptions that enables the reader to understand the services

provided. The information necessary to adequately inform a user about the nature of the services provided related to the associated fee disclosure lends itself to a separate schedule and not in lengthy descriptions within an auditor's report. We note that having such a disclosure approach would be more consistent with approaches taken by other stock exchanges and regulators that require similar disclosures.

#### **55. Grant Thornton International Limited (GTIL)**

GTIL believes the information in the proposed provision to be discussed with TCWG is sufficient and has no additional suggestions.

#### **57. Mazars Group (MAZARS)**

The Annual Report should include a formal assessment by TCWG on the steps they have taken to ensure auditor independence and their conclusions

## **2. No comments**

### **Regulators and Oversight Authorities, Including MG members**

- 2. Committee of European Auditing Oversight Bodies (CEAOB)**
- 4. Irish Auditing & Accounting Supervisory Authority (IAASA)**
- 5. Independent Regulatory Board for Auditors (IRBA)**
- 6. International Forum of Independent Audit Regulators (IFIAR)**
- 7. International Organization of Securities Commissions (IOSCO)**
- 9. Malaysian Audit Oversight Board, Securities Commission (MAOB)**

### **Public Sector Organizations**

- 11. Office of the Auditor General of New Zealand (AGNZ)**
- 12. Auditor General of South-Africa (AGSA)**
- 13. United States Government Accountability Office (GAO)**

### **Preparers and Those Charged with Governance**

- 14. Japan Audit & Supervisory Board Members Association (JASBMA)**

### **Professional Accountancy Organizations (PAO's)**

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- 19. American Institute of Certified Public Accountants Professional Ethics Executive Committee (AICPA)**
- 21. Botswana Institute of Chartered Accountants (BICA)**
- 22. Chartered Accountants of Ireland (CAI)**
- 26. European Federation of Accountants and Auditors for SMEs (EFAA)**
- 27. Institute for Accountancy Profession in Sweden (FAR)**
- 28. Hong Kong Institute of Certified Public Accountants (HKCIPA)**
- 30. Inter-American Accounting Association (IAA)**
- 35. The Institute of Chartered Accountants of Scotland (ICAS)**
- 36. Institute of Certified Public Accountants of Uganda (ICPAU)**
- 37. Institute der Wirtschaftsprüfer (Germany) (IDW)**
- 39. Institute of Public Accountants (Australia) (IPA)**

- 41. Japanese Institute of Certified Public Accountants (JICPA)
- 43. National Board of Accountants & Auditors – Tanzania (NBAAT)
- 45. Malaysian Institute of Certified Public Accountants (MICPA)
- 46. New York State Society of CPAs (NYSSCPA)
- 47. Royal Netherlands Institute of Chartered Accountants (NBA)

**Firms**

- 50. Baker Tilly International (BKTi)
- 56. KPMG IFRG Limited (KPMG)
- 60. PricewaterhouseCoopers International Limited (PWC)
- 61. RSM International Limited (RSM)

**Others**

- 62. US Center for Audit Quality (CAQ)
- 63. IFAC Small and Medium Practices Committee (IFAC SMPC)
- 64. Porus Pavri (PP)