

ED Question 14

A) Do you support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out in this Exposure Draft?

The respondents' responses to Q14A are divided into four groups:

1. Support with minor amendments
2. Support with reservations
3. Does not support
4. No comment

1. Support with minor amendments

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

We support the conforming amendments made to Section 905 and other sections.

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

NASBA supports the consequential and conforming amendments to Section 905 and other sections of the Code. NASBA believes that overdue fees should not be older than one year at the time the audit report is issued.

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

The AOB has no objection to the proposed consequential and conforming amendments to Section 905 and other sections of the Code.

Public Sector Organizations

12. Auditor General of South-Africa (AGSA)

The proposed consequential and conforming amendments are necessary to ensure alignment with the proposed changes in the ED and are therefore supported.

Independent National Standard Setters

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

The NZAuASB is supportive of the proposed consequential and conforming amendments.

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 support the proposed consequential amendments to Section 905 in relation to assurance engagements as these provide greater clarity and recognise that there is also an inherent self-interest threat when fees for an assurance engagement are negotiated with and paid by the assurance client.

We believe the proposed conforming changes to other sections of the Code are also reasonable.

18. Accountancy Europe (AE)

Yes, we support the proposed consequential and conforming amendments to other sections

21. Botswana Institute of Chartered Accountants (BICA)

We agree with other aspects of the Exposure Draft.

22. Chartered Accountants of Ireland (CAI)

We support any necessary consequential and conforming amendments.

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

We support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out in the Exposure Draft.

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

Yes, we are supportive of the consequential and conforming amendments to Section 905 and other part of the Code.

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

We support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out in this Exposure Draft.

30. Inter-American Accounting Association (IAA)

Yes, we support because we understand that they are necessary and adequate.

31. Institute of Chartered Accountants of Bangladesh (ICAB)

Yes, we support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out in this Exposure Draft.

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

Yes we support the consequential amendments.

33. Institute of Chartered Accountants Ghana (ICAG)

Yes, all the proposed amendments appear reasonable

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

This is fine with us

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

Yes – we support the proposed consequential and conforming amendments to Section 905. We note there has been a strengthening of the provisions in paragraph 905.8 A1 reflecting the equivalent paragraph in Section 410 - 410.11 A2. We support this change.

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

ICPAU supports the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out this Exposure Draft.

38. Mexican Institute of Public Accountants (IMCP)

Yes

40. Institute of Singapore Chartered Accountants (ISCA)

We support the proposed consequential amendments to Section 905 and other sections of the Code as set out in the ED.

41. Japanese Institute of Certified Public Accountants (JICPA)

We support the proposed amendments to Section 905.

42. Korean Institute of Certified Public Accountants (KICPA)

We support the proposed consequential and conforming amendments to the Section 905 and other sections of the Code.

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

We do support the proposed consequential and conforming amendments.

44. Malaysian Institute of Accountants (MIA)

We support the consequential and conforming amendments.

48. South African Institute of Chartered Accountants (SAICA)

SAICA supports the proposed consequential and conforming amendments.

Firms

50. Baker Tilly International (BKTi)

We support the proposed consequential and conforming amendments to Section 905 and we support the proposed changes to Section 410, as there needs to be consistency in both sections.

53. Deloitte Touch Tohmatsu Limited (DTTL)

In general, we support the proposed consequential and conforming amendments, subject to our comments in this letter.

55. Grant Thornton International Limited (GTIL)

GTIL supports the proposed consequential and confirming amendments to Section 905 and other sections of the Code as set out in the Exposure Draft.

56. KPMG IFRG Limited (KPMG)

We do not take exception to the proposed consequential and conforming amendments to Section 905 and other sections of the Code

60. PricewaterhouseCoopers International Limited (PWC)

Our comments above in response to Question 1 and 2 are equally applicable.

Otherwise we agree with the other conforming changes, although we believe that it would be very rare for a firm to be over-dependent on the fees from a non-audit assurance client.

Others

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

Yes, we are supportive of the consequential and conforming amendments to Section 905 and other sections of the Code.

2. Support with reservations

Regulators and Oversight Authorities, Including MG members

3. Capital Market Authority – Saudi Arabia (CMASA)

For section 330, paragraph 330.3 A2 indicated that the level of fee can create self-interest threat if the fee quoted is “so low”. I would suggest adding some explanatory material to try define what a low level of fee can be.

Public Sector Organizations

13. United States Government Accountability Office (GAO)

We support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as provided in this exposure draft. We believe that the IESBA could further clarify paragraph 905.10 A2 to note that the independence threat created when the assurance client is not responsible for

negotiating or paying the fees relates to ensuring independence from the assurance client and not the party paying the fees.

Independent National Standard Setters

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

APESB does not support the proposed consequential amendments to Section 270 Pressure to Breach the Fundamental Principles in their current form. The proposed amendments include the addition of the words 'from others' in paragraph 270.3.A2. However, some of the examples provided in that paragraph could also apply where the professional accountant is the person applying the pressure, for example, reporting misleading results or suppressing internal audit reports.

APESB is of the view that the example of putting pressure on a professional accountant to provide the service at low fees levels could be included with the examples under the subheading 'Pressure to act without sufficient expertise and due care'. If this change was made, consequential amendments could be made to Section 230 Acting with Sufficient Expertise to include a provision or guidance on ensuring that others have sufficient expertise to undertake tasks or engagements. Alternatively, this guidance could be included in Subsection 113 Professional Competence and Due Care after paragraph R113.2.

Apart from this matter, APESB supports the other consequential amendments included in the Fees Exposure Draft.

Professional Accountancy Organizations (PAO's)

24. CPA Australia (CPAA)

CPA Australia is supportive of the proposed consequential and conforming amendments to Section 905.

CPA Australia recommends further review of R 270.3 (b) and 270.3 A3 Requirement 270.3 (b) states that:

R270.3 A professional accountant shall not:

- (b) Place pressure on others that the accountant knows, or has reason to believe would result in other individuals breaching the fundamental principles.

The fundamental principles of the Code apply only to professional accountants, as such, 'other individuals' are not required to adhere to the fundamental principles.

CPA Australia recommends that the IESBA consider changing R270.3 (b) as follows:

R270.3 A professional accountant shall not:

- (b) Place pressure on other professional accountants that would reasonably result in these other professional accountants breaching the fundamental principles.

Based on the recommended changes to R270.3 (b), consequential amendments would be required to 270.3 A3 as follows:

270.3 A3 An example of pressure placed on other professional accountants that might result in threats to their compliance with the fundamental principles would be pressure exerted on another professional accountant to provide professional services at a fee level that does not allow for sufficient and appropriate resources (including human, technological and intellectual property resources) to perform the service in accordance with technical and professional standards.

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

We do not understand the logic underlying proposed 905.10 A2. Why is this only relevant for assurance services other than audits and reviews?

Firms

51. BDO International Limited (BDO)

Overall, we support the conforming amendments. We do have a concern with the following:

Section 330, Fees and Other Types of Remuneration:

330.3 A3 - For one of the factors that are relevant in evaluating the level of threat related to level of fees – the proposed change is: Whether the client is aware of the terms of the engagement and in particular, the basis on which fees are determined (previously it was the basis on which fees are charged).

The term 'charged' has been retained in other areas of Section 410 and Section 905 (some examples are 410.2, 410.5 A1, 410.7 A1, 410.10 A1, 410.22 A1, R410.23 and R410.25).

It is not clear what would be the difference between 'determined' and 'charged', so we would recommend that the difference be clarified or the term should be changed back to 'charged'.

57. Mazars Group (MAZARS)

With regard to 905.8 A3 second bullet point “having an appropriate reviewer who did not take part in the assurance engagement review the work performed”, we are not convinced that this is a practical safeguard.

3. Does not support

Regulators and Oversight Authorities, Including MG members

10. United Kingdom Financial Reporting Council (UKFRC)

As we have commented in our responses to other IESBA EDs (including those that addressed the structure of the Code), we believe the same independence requirements should be applied to other public interest assurance engagements as are applied to audit engagements.

4. No comment

Regulators and Oversight Authorities, Including MG members

- 1. Bangladesh Financial Reporting Council (BFRC)**
- 2. Committee of European Auditing Oversight Bodies (CEAOB)**
- 4. Irish Auditing & Accounting Supervisory Authority (IAASA)**
- 6. International Forum of Independent Audit Regulators (IFIAR)**
- 7. International Organization of Securities Commissions (IOSCO)**

Public Sector Organizations

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

The Auditor-General of New Zealand does not recognise Part 4B of the Code (including Section 905) because we apply the more stringent requirements in Part 4A of the Code to all the work of the Auditor-General. We have no comments to make about the proposed consequential amendments to Section 905.

We have no comments about the proposed consequential and conforming amendments to other sections of the Code as set out in the Exposure Draft.

Professional Accountancy Organizations (PAO's)

- 19. American Institute of Certified Public Accountants Professional Ethics Executive Committee (AICPA)**
- 20. Association of the Italian Audit Firms (ASSIREVI)**
- 23. Compagnie Nationale des Commissaires aux Comptes (CNCC)**

To the extent that we do not support a certain number of proposals from the ED, we do not support the consequential amendments they would entail on the other assurance services section.

- 27. Institute for Accountancy Profession in Sweden (FAR)**
- 39. Institute of Public Accountants (Australia) (IPA)**
- 45. Malaysian Institute of Certified Public Accountants (MICPA)**

46. New York State Society of CPAs (NYSSCPA)

47. Royal Netherlands Institute of Chartered Accountants (NBA)

49. Wirtschaftsprüferkammer (Germany) (WPK)

Firms

54. Ernst & Young Global Limited (EY)

We believe our comments and concerns noted above need to also be considered with regard to any consequential and conforming amendments in other sections of the Code.

61. RSM International Limited (RSM)

To the extent that we do not support a number of the proposals of the exposure draft, we do not support the relevant consequential and conforming amendments.

Others

62. US Center for Audit Quality (CAQ)

64. Porus Pavri (PP)

ED Question 14

B) In relation to overdue fees from an assurance client, would you generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement?

The respondents' responses to 14B are divided into two groups:

1. Suggestions or views
2. No comments

1. Suggestions and views

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

While we cannot confirm that it is generally expected to receive overdue fees for an assurance re-engagement, we do agree that it could reasonably be expected

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

The AOB is of the view that a firm must obtain full payment of all overdue fees from its audit or assurance clients before a report is issued in order to safeguard the independence of the firm.

10. United Kingdom Financial Reporting Council (UKFRC)

We would not require payment of all overdue fees as a condition of issuing an assurance engagement report. However, where the overdue fees cannot be regarded as trivial we would require the firm to consider whether it can accept or continue an engagement or whether it is necessary to resign. Our ethical standard includes a requirement to that effect. Where a firm does not resign, appropriate safeguards should be applied such as review by a partner with relevant expertise who is not involved in the engagement.

Public Sector Organizations

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

We would generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement.

12. Auditor General of South-Africa (AGSA)

From a public sector perspective audit reports are required to be issued by legislative deadlines regardless of whether audit fees are overdue and therefore we do not expect that payment of all overdue fees would need to be obtained before issuing a report.

13. United States Government Accountability Office (GAO)

We would generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement.

Independent National Standard Setters

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

In relation to the collection of overdue fees on assurance engagements, APESB would expect that the professional accountant should receive payment for the engagement before the assurance report is issued. However, APESB is of the view that this is a matter for the professional accountant and the assurance client to agree to the terms relating to fee payment and that this should not be mandated in the Code.

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

While payment of overdue fees from an assurance client prior to issuance of the report is certainly desirable, the NZAuASB considers overdue fees need to be considered on a case by case basis.

Professional Accountancy Organizations (PAO's)

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

In relation to overdue fees from an entity in relation to assurance services, we believe it would be appropriate to include a general expectation regarding payment of overdue fees before the assurance report is issued within Section 905, as this is generally accepted best practice for firms and would also be consistent with the proposals for audit engagements.

18. Accountancy Europe (AE)

Generally, the overdue fees are expected to be received before issuing the report for an assurance engagement unless they are immaterial amounts.

21. Botswana Institute of Chartered Accountants (BICA)

With respect to timing of payments, fees are paid when the engagement is complete and the audit report signed off. This is the same with any other contract - payment is due when the work is performed. Before signing the audit report therefore, the fees are not overdue. They are only overdue when significant time passes post signing the audit opinion before they are paid. In this instance self-interest threat should be evaluated for an ensuing audit.

22. Chartered Accountants of Ireland (CAI)

We would expect the audit firm to have an appropriate arrangement in place to ensure any significant overdue fees are paid before the assurance report is issued.

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

Regarding overdue fees from an assurance client, we would generally expect the payment of such fees should be required before the firm issues its report.

29. Instituto dos Auditores Independentes do Brasil (Ibracon)

For the overdue fees, we believe that an evaluation of the independence threats should be considered prior to issue the assurance report, but not an obligation to receive these overdue fees to issue the audit report. The facts and circumstance should be assessed.

30. Inter-American Accounting Association (IAA)

With respect to the fees in default would vary in each circumstance and the idiosyncrasy of each jurisdiction. However, it is prudent to wait for the cancellation of fees before issuing the final report by an assurance service.

31. Institute of Chartered Accountants of Bangladesh (ICAB)

The self-interest threats to independence may be created due to overdue of fees. Hence, in relation to overdue fees from an assurance client, we would generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement

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

However as regards the requirement in respect of overdue fees, it needs to be borne in mind that Part 4B of the Code covers a wide range of assurance engagements and requirements need to be flexible in order to be proportionate. It would be better for discussion on overdue fees to focus on significant amounts.

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

Yes - we would generally expect a firm to obtain payment of overdue fees before issuing its report for an assurance engagement, unless the amount could be regarded as trivial.

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

We generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement.

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

Whilst you would generally expect a firm to obtain payment of overdue fees before issuing the report for an assurance engagement, it should not stop the assurance practitioner from issuing the report.

40. Institute of Singapore Chartered Accountants (ISCA)

We generally do not expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement.

44. Malaysian Institute of Accountants (MIA)

Overdue fees, if not fully collected, should be substantially collected to an amount that reduces self-interest threats sufficiently. We believe that further clarity is needed for paragraphs 905.8 A3 and R905.9 on the interpretation of obtaining partial payment of overdue fees and whether the overdue fees might be equivalent to a loan.

45. Malaysian Institute of Certified Public Accountants (MICPA)

In relation to overdue fees from an assurance client, we generally expect professional accountant in public practice to obtain payment of all overdue fees before issuing its report for an assurance engagement, as it may impair the objectivity of the professional accountant in public practice.

38. Mexican Institute of Public Accountants (IMCP)

Not necessarily we expect to have all overdue fees paid before issuing the report, but the not paid fees should not exceed 25% of total fees, before issuing the report.

In addition, we consider that 100% fees should be paid before starting the next audit or assurance work.

48. South African Institute of Chartered Accountants (SAICA)

We would generally expect a firm to obtain payment of the overdue fees before issuing its report. However, in practice, we are of the view that 100% payment of overdue fees is unlikely to occur in all cases.

Firms

50. Baker Tilly International (BKTi)

In relation to overdue fees, we would normally expect overdue fees from previous audits, along with other assurance and non-assurance fees, to have been paid before issuing the assurance report. Indeed, it may even be appropriate to require fees to be paid in advance of issuing an audit report to address any intimidation threat arising from the auditor – client relationship.

53. Deloitte Touch Tohmatsu Limited (DTTL)

The proposals in relation to overdue fees in Section 905 appear reasonable in that they require the evaluation of threats when fees are overdue before the assurance report is issued, and also remove the expectation that the firm obtain payment of overdue fees before the assurance report is issued. This is appropriate for assurance engagements that may be performed on a one-off basis and not necessarily recurring.

55. Grant Thornton International Limited (GTIL)

As it relates to overdue fees from an assurance client, we would generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement.

57. Mazars Group (MAZARS)

We would normally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement.

58. Moore Global Network Limited (MOORE)

Our response to this section covers both audit and assurance clients – there was no request for comment in relation to the overdue fee changes made in relation to audit clients.

At the time the exposure draft was written it would have been the reasonably expected position that clients should settle their fees before the next audit or assurance engagement commenced, however in a post COVID-19 world, with most companies facing significant financial pressures we are likely to see an unprecedented increase in the level of overdue fees and this is likely to be unworkable in at least the immediate aftermath of the pandemic.

60. PricewaterhouseCoopers International Limited (PWC)

In general, we would expect prior years fees to be paid before concluding a current engagement but consider the application material addresses the threats in an appropriate manner. It might also be appropriate to recognise that many of these types of engagements are one-off engagements, rather than recurring annual engagements.

2. No comments

Regulators and Oversight Authorities, Including MG members

1. Bangladesh Financial Reporting Council (BFRC)
2. Committee of European Auditing Oversight Bodies (CEAOB)
3. Capital Market Authority – Saudi Arabia (CMASA)
4. Irish Auditing & Accounting Supervisory Authority (IAASA)
6. International Forum of Independent Audit Regulators (IFIAR)
7. International Organization of Securities Commissions (IOSCO)

Preparers and Those Charged with Governance

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

Professional Accountancy Organizations (PAO's)

19. American Institute of Certified Public Accountants Professional Ethics Executive Committee (AICPA)
20. Association of the Italian Audit Firms (ASSIREVI)
23. Compagnie Nationale des Commissaires aux Comptes (CNCC)
24. CPA Australia (CPAA)
27. Institute for Accountancy Profession in Sweden (FAR)
28. Hong Kong Institute of Certified Public Accountants (HKCIPA)
34. The Institute of Chartered Accountants of India (ICAI)
37. Institute der Wirtschaftsprüfer (Germany) (IDW)
41. Japanese Institute of Certified Public Accountants (JICPA)
42. Korean Institute of Certified Public Accountants (KICPA)
46. New York State Society of CPAs (NYSSCPA)
47. Royal Netherlands Institute of Chartered Accountants (NBA)
49. Wirtschaftsprüferkammer (Germany) (WPK)

Firms

51. BDO International Limited (BDO)
54. Ernst & Young Global Limited (EY)
56. KPMG IFRG Limited (KPMG)

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)