

I. Overall – General Comments

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

We support the IESBA's proposed amendments relating to fee provisions in the IESBA Code. We appreciate the focus on increasing transparency and communication with those charged with governance (TCWG) in an effective and efficient manner.

6. International Forum of Independent Audit Regulators (IFIAR)

We support the direction of the exposure draft in addressing the fee-related issues in the independence for audit and review engagements. Especially, enhancement of transparency of information regarding fees for audit clients that are PIEs makes the communication between auditor and Those Charged with Governance (TCWG) more active and effective. We believe that this contributes to the improvement of audit quality.

7. International Organization of Securities Commissions (IOSCO)

We are aware that the latest developments surrounding COVID 19 and its immediate consequences for accountants and auditors may require the IESBA to re-prioritize its agenda. While we support this approach, we encourage the Board to maintain its focus of setting high quality, globally operable ethics standards for accountants. Considering its role in contributing to the reliability of the financial statements prepared by companies, we believe the profession needs to meet the highest ethical standards to promote trust in high quality financial reporting which supports the functioning of capital markets. Functioning in this capacity and level also is necessary for the pivotal role auditors play for a wide array of stakeholders, ranging from present to future investors, creditors, employees, and taxpayers.

To act in the public interest, the IESBA's focus on auditor independence remains key. Failure of auditors to employ proper safeguards against conflicts of interest in carrying out independent external audits would ultimately damage the trust placed in the profession. As such, we are supportive of the Paper, assuring that standards for auditors are set in a way as to prevent any lack of independence in fulfilling their role. At the same time we encourage enhancing the Non-Assurance Services Provisions of the Code (for which we are providing a separate comment letter).

IOSCO believes that whilst the proposals are a step in the right direction, the IESBA should acknowledge that in many jurisdictions the current regime goes beyond the provisions contained in the Exposure Draft.

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

The Audit Oversight Board, Malaysia (AOB) supports the efforts of the International Ethics Standards Board for Accountants (IESBA) in proposing enhancements to the fee-related provisions of the Code to enable the professional accountants to meet their responsibility to comply with the fundamental principles in the Code and be independent.

10. United Kingdom Financial Reporting Council (UKFRC)

We support the aim of IESBA to enhance the fee-related provisions of the Code, in particular those relating to non-audit services provided to an entity by its auditor. Concerns raised by Parliamentary Committee enquiries into high profile corporate failures in the UK have highlighted high levels of fees for non-audit services as a threat to the integrity, objectivity and independence of auditors and a belief that audit quality may be compromised as a result. They have also expressed concerns that audit fees are sometimes set at levels which do not fully cover the cost of the audit to be delivered, with a detrimental impact on quality. As a result, we are concerned that IESBA's proposals do not go far enough to address the threats created by proportionately high levels of fees for non-audit services; to enhance the transparency of such fees for stakeholders; or to address the risk of audit fees being set at too low a level to support a high quality audit.

Given the importance of these concerns, we believe IESBA could go further in strengthening the revised requirements and related application material it is proposing. We identify specific issues and suggested actions below in our responses to the questions asked in the Exposure Draft, including:

- There should be a more explicit requirement that an audit, or other engagement for an audit client, is not accepted where the fees would give rise to unacceptable threats to independence. (see 02)
- It should be made clearer that the ability to perform an engagement to an appropriate (high) standard should not be compromised by fees that are too low. (see 03) With regard to the proportion of fees other than audit, if IESBA does not want to establish a cap, there should be more emphasis on evaluating the threats where the ratio is more than 1:1. (see Q5)
- There should be stronger restrictions on fee dependency on a single client. There are no safeguards that can reduce the threats to an acceptable level where a firm has an ongoing fee dependency on a single client. Some relief in relation to non-PIE clients may be given for a new firm seeking to establish itself, but not exceeding two years. (see Q7- Q10)
- There should be stronger transparency requirements, with exceptions only permitted where necessary to comply with law or regulation. (see 011 and 012)

Independent National Standard Setters

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

APESB is generally supportive of the IESBA's project to revise the fee-related provisions in the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) to ensure they remain robust and appropriate. We are of the view that the proposed amendments will assist professional accountants to understand how fees can cause threats to the fundamental principles of the Code.

An important aspect of the fee-related provisions is ensuring independence and audit quality through transparency and disclosure of fee-related information. APESB is concerned about the unintended consequences if the IESBA Code requires auditors to take responsibility for the disclosure of audit fees and other fees paid by an audit client.

In Australia, legislation and accounting standards require the preparers of the financial statements (i.e., Those Charged with Governance (TCWG) or the Directors) to disclose information on fees paid to an entity's external auditor, including whether the provision of other non-assurance services has impacted the independence of the auditor. APESB is of the view that these provisions in laws and accounting standards appropriately address this issue in Australia. Additional provisions in the IESBA Code could address fee related issues depending on the requirements imposed on auditors and how these interact with the existing requirements imposed by law.

APESB encourages the IESBA to liaise with the International Accounting Standards Board (IASB) to address the disclosure of all fees paid or payable to the external auditor in connection with the annual audit and other services delivered by the external auditor. This proposed mechanism will emphasise the role and responsibility of the preparers of financial statements in making appropriate disclosures in financial statements, which contribute to the transparency of the audit relationship.

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

In general, the NZAuASB supports the proposals, however, while the NZAuASB is supportive of the objective of transparency of fee-related information, it is concerned that the proposal to require fee-related disclosures other than by the professional accountant is beyond the mandate of the IESBA. In this regard, the NZAuASB encourages the IESBA to pursue a solution through the International Accounting Standards Board. It is the view of the NZAuASB that disclosure of financial information is management's responsibility and should not be imposed on the auditor through the Code.

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 are supportive of what the IESBA (the Board) is trying to achieve in addressing public perceptions and strengthening the International Independence Standards (IIS) within the Code. Most of the proposed changes are reasonable and represent a positive step forward, by responding to concerns about the independence of auditors and aligning the fee provisions to measures already adopted in some jurisdictions.

The revised guidance and application material on fee-related matters will assist professional accountants to meet their responsibility to comply with the fundamental principles and be independent. However, we have identified some areas of concern and these are highlighted in our responses to the questions raised where appropriate.

In particular, we have reservations about the proposed threshold for firms to address threats created by fee dependency on a non-public interest entity (PIE) audit. While we recognize there may be a threat to independence, the threshold level of 30% appears too high and the introduction of a “bright-line” threshold may detract from the underlying principles of the Code and adversely impact audit quality. We also have some concerns about the transparency of information regarding fees for PIEs, including the practicalities of obtaining and disclosing fee information in the absence of clear and consistent requirements for preparers in relation to disclosure of fee information for PIEs, which would be more appropriately achieved via accounting standards requirements.

The proposed guidance adds significant additional material to the Code and at times is quite verbose, so consideration should be given to whether it can be simplified or should not be included in the Code. The implementation of new fee-related provisions will entail significant changes to policies and procedures for all firms. In particular, the Board should be alert to the potential challenges for smaller firms, and businesses in some jurisdictions.

18. Accountancy Europe (AE)

We believe that potential self-interest and intimidation threats should be evaluated by firms considering various factors about audit fees. However, being paid by clients does not per-se create a self-interest threat to auditor’s independence.

The overall corporate governance regimes audit clients have to apply in accordance with the laws and regulations in their respective jurisdictions, the existence of the independence provisions in the Code along with firms’ quality management systems and public oversight, work together in mitigating these potential threats. Consequently, as noted in the explanatory memorandum to the ED, the payment of audit fees by the client has become a practice that is accepted by stakeholders, including the intended users of financial statements.

We agree that audit fees should not be influenced by the provision of other services by the auditor and that firms should monitor their fee dependency on non-PIE audit clients as well.

We also support enhanced transparency of fee-related information noting the fact that auditors can only have limited responsibility in ensuring this transparency.

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

We are generally supportive of the intent of the proposed revisions to strengthen the fee- related independence provisions, however, we do have concerns with some of the proposed changes and have included suggestions for consideration. Through our consultation efforts, we received views that varied regarding the specific questions for comments and we have referenced these perspectives where it may be helpful for IESBA to be aware.

We appreciate the coordination efforts undertaken with the IAASB in the development of the proposals contained in the Exposure Draft and the provision of the webinar to provide additional context and address questions.

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

We believe the concept of auditor independence, both independence of mind and independence in appearance, is crucial for gaining public trust and confidence in the accountancy profession. Overall, we support most of the proposals revision in the EDs which further raise the bar on ethics as compared with the extant IESBA International Code of Ethics for Professional Accountants (Including International Independence Standards) (“Code”), especially those relating to PIE audit clients. The proposals are also helpful in strengthening the application of fundamental principles and conceptual framework.

30. Inter-American Accounting Association (IAA)

We decisively support the IESBA initiative on this important issue, considering the educational issue as fundamental in the formation and exercise of the accounting and auditing professional.

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

We agree with the overall approach and, on the whole, the revisions proposed. We have commented on a number of aspects in our responses below to the specific questions asked,

The key areas where we have made alternative suggestions are in respect of:

The proposal to set a fee limit of 30% in respect of the audit of non-PIE entities. We understand the practical difficulties inherent in setting a particular limit in an international code of ethics, but we believe the prospect of losing 30% of a firm's income in one go would at the very least be perceived to result in significant threats to independence. If a lower limit cannot be set, it may be better not to specify one at all.

The proposal to require measures to be taken after the proposed limit for the audit of PIEs is exceeded for two years. We believe it would be reasonable to alert those charged with governance of a potential issue after two years but we would prefer three years to be applied before the full set of actions required are needed. There can be many good reasons why a limit could be temporarily exceeded for two years without a suggestion of a permanent issue.

The proposal to require external disclosure of a potential dependency problem after two years. As noted above, we believe three years would be more appropriate.

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

Overall, we are generally supportive of IESBA's proposals outlined in the above Exposure Draft and believe that the new provisions will be beneficial to users of the Code.

48. South African Institute of Chartered Accountants (SAICA)

SAICA supports the exposure draft and applauds the effort of the task force in reaching this milestone. The topic of audit fees has long been a topic of discussion in South Africa.

Firms

50. Baker Tilly International (BKTl)

In general, we support the IESBA's efforts to enhance the fee-related provisions of the code so that they remain robust and appropriate in enabling professional accountants to meet their responsibility to comply with the fundamental principles and to be independent. We also note that in many jurisdictions there are ongoing initiatives which may also result in changes to auditor independence requirements with respect to fee related matters of audit clients.

We do consider further clarification is needed in some areas, particularly in relation to the role, responsibilities and implications of the independent professional accountant proposed as a safeguard in relation to fee dependency.

54. Ernst & Young Global Limited (EY)

We are supportive of the IESBA's efforts to enhance the provisions of the International Independence Standards of the IESBA's Code of Ethics (the Code), and there are certain aspects of the IESBA's proposed changes that we agree with, and which we believe contribute to a more robust Code. However, as more fully explained in our responses below, there are certain proposed changes that we believe warrant further consideration by the IESBA and we hope our comments will aid the IESBA in their efforts.

55. Grant Thornton International Limited (GTIL)

We support the Board's proposals and believe they will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high-quality standards that will enhance the profession.

56. KPMG IFRG Limited (KPMG)

We are supportive of the IESBA's goal to strengthen the International Independence Standards and to improve communication and transparency with those charged with governance (TCWG) related to fees.

57. Mazars Group (MAZARS)

We believe that the proposed revisions to the Fee-related Provisions of the Code will help improve independence in the way audits and reviews are conducted. However, we want to emphasize on the following aspects of the standards where we consider further guidance or development is required which is included in our detailed responses.

60. PricewaterhouseCoopers International Limited (PWC)

As mentioned in our Network response to the Board's exposure draft on non-assurance services, we believe that ideally independence standards should converge on a single set of common and robust standards. This has parallels in what many advocated for, and what has largely happened, in relation to Accounting and Auditing Standards whereby, in the latter case, there are two dominant recognised sets of auditing standards (PCAOB/US GAAS and the ISAs). Whilst we recognise the challenges, we strongly encourage the IESBA to consider how the application of the IIS interacts with existing jurisdictional Standards and to open a dialogue with key stakeholders including IOSCO, the US SEC and other leading regulators/standard setters to see if there is a path forward to resolving this dilemma and which would ideally see the adoption of the IIS as a common standard.

While we support the Board's ambition of enhancing the provisions of the International Independence Standards and concur with several of the proposals, we do have concerns with some of the proposals.

61. RSM International Limited (RSM)

We support the objective of the project to ensure all Non-Assurance Service (NAS) provisions in the International Independence Standards (IIS) are robust and of high quality for global application to increase confidence in the independence of audit firms. However, we feel that some of the proposed changes might result in a greater concentration of the non-PIE audit market, which would not be desirable.

Others

64. Porus Pavri (PP)

I had submitted to IESBA a brief overview of a completely revamped system of appointing, remunerating and terminating statutory auditors back in March 2014. Having read the ED on Fee-related provisions, all I can say is that we are just beating around the bush, not tackling the core of the issue. Asking audit firms to assess the level of risk to their independence under the current business model – where the client being audited determines the appointment, remuneration and termination – makes very little difference to auditor independence. In the current business and economic environment, where competition among firms is increasing with every passing day, where the struggle for existence is becoming more and more fierce, on 99% of occasions, audit firms will self-pass this test, with mere lip service to IESBA's independence risk assessment.

Obviously it is a huge mountain to climb – initially there will be seemingly insurmountable resistance and lobbying, especially from the big audit firms, who will not tolerate any transformation to the status quo. But this is a decade-long challenging project to implement, for which a start has to be made at some point in time. It is challenge worth tackling, not just for the survival of the profession on a sustainable basis and to help eliminate the increasing regularity of skeletons tumbling out of corporate cupboards due to audit failures, but also to benefit all stakeholders who rely on the audit opinion to make economic decisions.

II. Overall – Specific Comments

PIE Project

Regulators and Oversight Authorities, Including MG members

6. International Forum of Independent Audit Regulators (IFIAR)

We further understand that the definitions of PIE and listed entity (as per IESBA) are currently under review and are being closely coordinated with the IAASB. Our assessment of the proposed changes in this exposure draft might change depending on the outcome of that project and its alignment to extant regulations across the member states of IFIAR.

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

In our response to Proposed Revisions to the Non-Assurance Services Provisions of the Code (non-assurance services proposal)[dated May 6, 2020], we expressed our concern that IESBA recently initiated a project to reconsider the International Code of Ethics for Professional Accountants (Including International Independence Standards) (the Code) definition of “public interest entity” (PIE). The timing of that project means that NASBA and others are commenting on more stringent independence provisions for PIEs without knowing the full scope of the entities that will be subject to these rules. We recommend that IESBA delay action on this proposal and the non-assurance services proposal until the PIE project is concluded, so commenters may consider the ramifications of more stringent independence provisions in the Code on the audits of those entities.

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 strongly support the Board's project to review the definition of a PIE used in the Code and to harmonise it, as far as possible, with the concept of an Entity of Significant Public Interest (ESPI) used in the International Auditing and Assurance Standards Board's (the IAASB) standards. Further we encourage the Board to complete the revision of the definition of a PIE before finalising and issuing the revisions to Fees and Non-Assurance Services (NAS). This would allow stakeholders to reconsider the proposed revisions for Fees and NAS in light of any consequences for entities who may be newly captured by a revised PIE definition

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

Although we understand the IESBA is committed to coordinating its PIE project with the Fee and NAS1 proposals, it is unclear what this coordination intends to include aside from “...the formulation of the effective dates of the revised provisions arising from the three projects should be to provide an appropriate transition for adoption and implementation of the changes.”

Because the definition of PIE is so integral to the Fee and NAS proposals, we recommend the PIE project be finalized before the Fee and NAS proposals are adopted. We recommend the IESBA implement a procedure that will allow for commenters to provide additional input on the Fee and NAS proposals once the PIE definition is finalized, including consideration of the need to possibly re-expose.

24. CPA Australia (CPAA)

Finally, CPA Australia notes that the proposed revisions are predicated on the assumption that there is a clear and unambiguous understanding of the definition of a Public Interest Entity (PIE). This is clearly not the case, as the project to clarify and define the term is still in its embryonic stages and the International Auditing and Assurance Standards Board (IAASB) is potentially pursuing the use of a different term in its standards. It seems to be premature to make the proposed changes to the Fee related provisions of the Code prior to having clarified the PIE definition, and potentially will lead to adoption and implementation challenges across the globe.

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

EFAA appreciates the great effort taken to consider the potential impact on SMPs and their SME clients and welcomes the way the ED proposes differential treatment for SME engagements from PIE engagements since this helps ensure the scalability of the provisions. We also recognize that the project to define PIEs and Listed Entities will greatly impact this ED.

We acknowledge the need for the fee proposals to maintain public trust and confidence in the audit by addressing public perceptions about auditors' independence. We are concerned, however, that SMPs are

currently overwhelmed with changes, not least those arising from the restructured Code, at a time when they are dealing with unprecedented challenges presented by Covid-19. Accordingly, we urge the Board to defer further changes to the Code especially those, like fees, which are not urgent.

29. Instituto dos Auditores Independentes do Brasil (Ibracon)

The conclusion about new definitions of PIE should be concluded together with this Exposure Draft.

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

We note that the IESBA project concerning the definition of the term “Public Interest Entity (PIE)” has not yet been finalized.

The absence of a firm notion of which entities will be covered by the term PIE, means that it is not possible to comment fully on the proposals in the ED. There could be issues for certain entities that commenters cannot yet envisage.

Equally concerning is the fact that IESBA has tasked itself with making key decisions about auditors who serve audit clients that are PIEs without knowing itself what constitutes a PIE and without due regard for the divergences between entities that may constitute PIEs in different jurisdictions. We are concerned that this is likely to lead to a disproportionate impact on audits, especially in the SMP arena.

The IDW is also concerned that without very clear persuasive justification the stark differentiation between audit clients that are PIEs and those that are not will drive a wedge in the audit market. There is a distinct danger that more stringent fee constraints for audit clients that are PIEs may – over time – lead to a trickle-down effect, certainly as far as larger SMEs that are non-PIEs are concerned.

Firms

51. BDO International Limited (BDO)

We believe that alignment of the timing of this project together with the NAS and Fees projects is critical. We are pleased to see the acceleration of the definitions project. We recommend that the finalization of the NAS and Fees projects be aligned with the definitions project. This would allow IESBA to consider if re-exposure of the NAS and Fees projects is necessary. Our views expressed herein are based on the current definition of PIEs and could change should the definition of PIE change.

56. KPMG IFRG Limited (KPMG)

As we noted in our comment letter on the Exposure Draft: Proposed Revisions to the Non-Assurance Services Provisions of the Code (NAS ED), as the term public interest entity (PIE) is defined in the extant Code, we agree with the Board’s view that stakeholders of these entities have heightened expectations regarding the audit firm’s independence and, similarly, we agree with the provision of independence standards specific to PIEs. However, with a project currently underway to revisit the definition of a PIE, it is uncertain whether the project will result in a revised definition that includes a broader array of entities.

Accordingly, our comments herein are based on, and should be considered by the Board solely in the context of, our understanding of PIEs as they would be determined under the extant Code.

We suggest the Board complete the PIE definition project before moving forward with approval and issuance of the Fees standard, so that stakeholders can consider the Fees proposals in the context of an expanded PIE definition. We believe these are critical considerations given the nature and extent of the new independence requirements proposed for PIEs.

Others

62. US Center for Audit Quality (CAQ)

We suggest the Board complete the public interest entity (PIE) definition project before moving forward with approval and issuance of the fee-related disclosure standard.

We agree with the Board’s view that stakeholders of PIEs have heightened expectations regarding the audit firm’s independence and, similarly, we agree with the provision of independence standards specific to PIEs.

The definition of PIE is integral to consideration of the proposed revisions to the fee-related disclosure provisions of the Code. There is uncertainty as to whether the current project to revisit the definition of a PIE will result in a revised definition that includes a broader array of entities. We recommend that the Board complete the PIE definition project before moving forward with approval and issuance of the fee-related disclosure standard. This will enable stakeholders to consider the proposal in the context of a potentially expanded PIE definition.

Notwithstanding our recommendation above, our comments herein are based on, and should be considered by the Board solely in the context of our understanding of PIEs as they would be determined under the extant Code.

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

The SMPC has been following the development of this project and that of the Non-Assurance Services (NAS) since their inception and welcomes the close coordination of IESBA with the International Auditing and Assurance Standards Board (IAASB). We also concur that the outcome from the work of the Task Force on the definition of Public Interest Entities (PIEs) and Listed Entities (the PIE Project) will be equally impactful on this ED. Hence, we support this project being accelerated. In light of the significant impact the definition of PIE's will have on this ED (and the NAS ED), it is our view that further work on the NAS and Fees projects should be deferred pending a firmer idea or concept being in place from the outcome of the PIE Project as depending on the definition, it may influence our views on the various issues proposed in the Exposure Drafts.

Period of Stability

Professional Accountancy Organizations (PAO's)

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

We appreciate the sensitivity IESBA has recently demonstrated in extending the deadline for comments. Regarding this project, there are two aspects we suggest need further discussion by IESBA.

Firstly, tightening the “package” of requirements aimed at safeguarding auditor independence should not result in denying entities in need of urgent advice at various stages of the Covid-19 pandemic from obtaining this from their auditor. In particular, an auditor's knowledge of a client's business and environment may often be key in facilitating the timely, complete, and bespoke advice that will be essential in this time of crisis. For many entities, especially SMEs, obtaining support quickly may be essential to their survival.

Secondly, we believe that the pace of change to the IESBA Code (and – for Germany – any corresponding national alignment initiatives) auditing firms are required to deal with needs to slow down considerably. In determining the effective date, we would urge the IESBA to bear in mind that the strain caused by the current crisis also affects firms and to defer the effective date appropriately.

49. Wirtschaftsprüferkammer (Germany) (WPK)

On the other hand, as you are aware, the WPK has repeatedly called for a “period of stability” during which no further changes of the Code should take place. We do not have the impression that IESBA takes our concern into consideration. On the contrary, we have to note that the pace of changes appears to even increase, given that IESBA has already issued three EDs this year (Fees, NAS und EQR) and - according to IESBA's public meeting documents - plans to issue two more EDs in 2020 (Engagement Team/Group Audits, Definitions of Listed Entity and PIE).

Firms

56. KPMG IFRG Limited (KPMG)

Lastly, as also mentioned in our comment letter on the NAS ED, we prompt the Board to consider carefully the implementation period so that sufficient time is provided for firms to operationalize the new requirements of the approved standard. This will be crucial given the volume of significant new proposals from several projects that will likely become effective within a short span of time, if not simultaneously (e.g., NAS, Fees, Role and Mindset, and Definition of Listed Entity and PIE).

Others

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

We continue to urge the Board to consider the impact arising from the frequency of changes to the IESBA Code and consider the deferral of further changes unless they are critical. A persistent challenge of the SMP community based on our past SMP Surveys is keeping up with changes in laws and regulations. The 2018 restructured Code, which was effective as of June 2019, included substantive revisions and a new structure and drafting convention. In addition, the Board should reflect on the significant impact of COVID- 19, which is likely to be felt for an extended period of time. SMPs are seeing their own businesses being adversely affected but, being the trusted advisor to many SMEs, their resources are being strained to the point of breaking as they try to assist their clients to go through this period of great distress, the likes of which is unprecedented in modern history.

In pursuing its ambition to ensure appropriate auditor independence (in appearance rather than actual), the IESBA must bear in mind the fact that services from many SMPs are generally of a high quality and there are synergies for the entities in consulting their auditors on some specific issues. Advantages for business entities are often the speed of support and the ability to provide bespoke solutions, usually at a lower cost. It would not be in the public interest for the NAS or fees project to lead to denial of key support and services in the aftermath of the current ongoing crisis. The auditor in the SMP knows the client's individual situation and circumstances well and is therefore best placed to provide tailor-made advice very quickly and efficiently – which is what is (and will be for some time to come) urgently needed at present throughout the world.

Moving Away from Principle-based Code

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

We acknowledge that responding to the call from relevant stakeholders to strengthen the fee-related provisions in the IESBA Code has resulted in some rules-based provisions, instead of principles-based provisions. However, this comes with its own difficulties and challenge of usability. The IESBA implementation guidance that accompanies the final provisions will require a consideration of the practical implications.

Professional Accountancy Organizations (PAO's)

20. Association of the Italian Audit Firms (ASSIREVI)

Firstly, as already outlined in our previous response to the IESBA Consultation Paper “Proposed Revisions to the Non-Assurance Services Provisions of the Code”, we wish to highlight that the Code of Ethics was created with a principle based approach and has substantially been relying on this approach until today. This characteristic has rendered the Code a highly useful document aimed at steering auditors' behavior also in the context of different (and not always consistent) national legal frameworks.

Instead, the Exposure Draft covered in this letter, as well as other recent projects on the revision of the Code, seems to be trending progressively away from the original principle based approach, and turning to more of a rule based approach, which would better match enforcement purposes. However, in Assirevi's view, this change would not be suitable to regulate the multiple issues connected to fee matters, as much as it is not suitable to handle certain independence issues relating to the provision of non-audit services. In this respect, reference is also made to our response to the IESBA Consultation Paper on non-assurance services sent on 2 June 2020.

With regards to fee matters, if the Code were to adopt a rule based approach this might give rise to the risk of i) undermining the guidance and steering function of the Code; ii) creating overlaps between the provisions of the Code and the existing set of rules that regulate such matters within national and supranational legal systems; and iii) generating conflicts and mismatches between those various provisions. Indeed, both the European and the Italian legal systems (the latter even before the transposition of the EU rules into national law) already include specific provisions aimed at avoiding the risk that any financial issues regarding the engagement could impact the auditor's independence. This especially

emerges from questions no. 1, 2 and 3 of the Exposure Draft (Evaluating Threats Created by Fees Paid by the Audit Client).

Furthermore, the Italian Legislator, in order to safeguard the auditor's independence, has provided that fees for audit engagement "shall not be established on the basis of the results of the audit, and shall not depend in any way on the provision of non-audit services to the audit client, its controlled undertakings and parent undertakings, by the auditor or the audit firm or their network. [...] The fee for the audit engagement shall be determined in such a way as to ensure the quality and reliability of the work" (see Article 10, paragraphs 9 and 10 of Legislative Decree 39/2010). This provision transposes the European legislation, in particular with respect to Art. 25 of Directive 2014/56/EU, which sets forth that "Member States shall ensure that adequate rules are in place which provide that fees for statutory audits: (a) are not influenced or determined by the provision of additional services to the audited entity; (b) cannot be based on any form of contingency".

Art. 4 of EU Regulation 537/2014 sets out a fee cap with respect to the provision of non-audit services in favor of public interest entities. Indeed, if the statutory auditor provides allowed non-audit services in favor of a public interest entity and/or its parent undertaking and/or controlled undertakings "for a period of three or more consecutive financial years", the "total fees" for such services "shall be limited to no more than 70 % of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of that group of undertakings".

Moreover, pursuant to Art. 5 of EU Regulation 537/2014, the board of statutory auditors (i.e. the equivalent of the audit committee in the Italian legal system) shall approve in advance the allowed non-audit services, thereby monitoring the fees to be paid to the auditor, in compliance with the cap set out by Art. 4 referred to above.

In addition, audit firms are subject to specific duties of disclosure regarding the fees that they have received. In this regard, Art. 13, paragraph 2, letter k) of EU Regulation 537/2014 requires the auditors to provide into their transparency report - unless such information has been disclosed in their financial statements within the meaning of Article 4(2) of Directive 2013/34/EU - "information about the total turnover of the statutory auditor or the audit firm, divided into the following categories: (i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; (ii) revenues from the statutory audit of annual and consolidated financial statements of other entities; (iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and (iv) revenues from non-audit services to other entities"(1).

As far as the disclosure of fees is concerned, listed companies in Italy are required to present a statement in attachment to their financial statements, whereby information must be provided in respect of the fees paid in the relevant financial year to the statutory auditor and/or its network for audit and non-audit activities carried out in favor of such listed company and its subsidiaries.

Assirevi deems it useful to draw the attention to the provision under Art. 4, paragraph 3, first sentence, of EU Regulation 537/2014, pursuant to which "When the total fees received from a public-interest entity in each of the last three consecutive financial years are more than 15 % of the total fees received by the statutory auditor or the audit firm or, where applicable, by the group auditor carrying out the statutory audit, in each of those financial years, such a statutory auditor or audit firm or, as the case may be, group auditor, shall disclose that fact to the audit committee and discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats. The audit committee shall consider whether the audit engagement should be subject to an engagement quality control review by another statutory auditor or audit firm prior to the issuance of the audit report" (2). The above provision is clearly aimed at mitigating the risk that auditors might financially depend on audit clients.

The regulatory framework described above seems appropriate in order to prevent the risk that the financial aspects of the engagement might impact the auditor's independence. Therefore, according to Assirevi, if the IESBA were to confirm the orientation to implement a rule-based approach (as resulting from the Exposure Draft), this would inevitable result in i) risks of conflict between the Code and the regulatory framework described above, and ii) implementation issues.

In conclusion, the transposition of the Code of Ethics at national level is frequently impacted by the concurring existence of local legal systems which are significantly more complex than the framework which the international standards on auditing issued by the IAASB are confronted with when it comes to their endorsement. In fact, this latter framework is less articulated in terms of legislation and therefore less subject to risks of overlap.

23. Compagnie Nationale des Commissaires aux Comptes (CNCC)

Secondly, we find that overall, the proposals tend to drift the Code away from being principles based (building on the risk and safeguard approach) by introducing new rules which bear the risk of discharging the auditors, and Those Charged with Governance, of their responsibilities. Ultimately it is for the auditor, and Those Charged with Governance, through an appropriate two-way communication, to judge whether proper safeguards have been put in place to preserve the

Independence of the auditor. Professional judgment must be exercised by both parties, in the specific circumstances of the engagement. We find that the role played by those charged with Governance in protecting the auditor's independence is not fully recognised and the exposure draft often introduces prohibitions or rules on issues which could have been dealt with by discussions with Those Charged with Governance and safeguard.

24. CPA Australia (CPAA)

CPA Australia recognises the challenges faced by the IESBA in balancing the principles-based framework which underpins the Code, with the perceived benefits of definitive prohibitions, timeframes and thresholds. These challenges manifest in determining the role of standard setters and the role of regulators, whether national or international, and how these must be clearly defined and delineated.

Prescriptive elements within the Code, while well-meaning, may not achieve expected benefits. This may be particularly evident where the professional accountant bases his/her professional judgement on fulfilling compliance requirements rather than the application of principles within the Code. Furthermore, compliance with definitive requirements within the Code may be meaningless to users of the financial and other information being audited by the professional accountant, unless users are properly educated and have a comprehensive appreciation of the Code's requirements.

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

We do not support the direction of the proposed amendments (apart from the disclosure of audit fees). We consider that proposals should be principle-based and not rule-based. The proposal should be made in the public interest and not in the interest of the auditing firms to continue to provide non-assurance services to audit clients within judgemental boundaries.

31. Institute of Chartered Accountants of Bangladesh (ICAB)

However, we have concern that some of the revisions look like rule-based (e.g. changes of PIE auditor after consecutive five years) instead of principle-based provision of the Code.

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

We strongly recommend that the proposals be withdrawn and simpler principle-based proposals be advanced with the emphasis on the public interest for an independent audit to be performed.

Cost and Administrative Burden of the Proposals

Firms

53. Deloitte Touch Tohmatu Limited (DTTL)

We recognize the significant public interest in the topics of audit and non-audit fees and welcome efforts by the Board to provide guidance and clarity on when and how the nature and level of fees might create threats to the independence of the audit firm. We also support the IESBA's objective to enable professional accountants to meet their responsibility to be independent of their audit and assurance clients by having a Code that contains robust and high-quality provisions.

However, we also consider that overall, the Board has not achieved the right balance between addressing public perceptions and the level of regulatory burden. In our view, the cost of the proposals in many places outweigh the perceived public interest benefits, and may in fact detract the audit firm from spending time focusing on identifying and evaluating threats that are likely to reasonably bear on the audit firm's independence, which is not in the public interest.

For example, we are not aware of any empirical evidence to support the argument that the extensive information that the auditor is being asked to collect and communicate will be useful to stakeholders in making an assessment of the auditor's independence, and therefore whether the cost will outweigh the benefit. There are many factors that impact the level of audit fees and even the Board recognizes in the ED there may not be comparability of fee information across different entities and groups. Likewise, if the purpose of public disclosure of fees is for stakeholders to assess the auditor's independence, there is no reasonable rationale provided for why fees paid to non-network auditors are relevant to such an assessment.

We agree that transparency is an important means of informing the investor community and improving trust, particularly where information provided by companies to their investors might help them to assess the independence of the audit firm. However, we do not support the Board's proposals to impose the responsibility of corporate governance public disclosures on the audit firm. Where they already exist, auditor remuneration disclosure obligations are placed on

Professional Accountancy Organizations (PAO's)

27. Institute for Accountancy Profession in Sweden (FAR)

FAR has taken part of the drafted response of the IFAC SMP Committee (SMPC). We strongly support the general comments made by the SMPC and also agree with the specific comments.

FAR represents a large number of SMPs and, like the SMPC, FAR finds that the costs associated with the implementation of awareness and training initiatives, translation where needed and maintenance costs in updating firms' internal policies and methodologies have not been taken into sufficient consideration in the proposal. To this, FAR would like to underline that it is also a challenge for professional organisations to provide sufficient application material, guidance and training. In particular when resources are much needed for the quality control project initiated by the IAASB. To this comes the extra burden caused by the current Covid-19 pandemic.

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

We are increasingly concerned that IESBA seeks to have auditors "prove" their independence; often primarily independence in appearance, by performing detailed work that involves arduous information gathering in complex and geographically spread-out group situations and also additional documentation without either providing evidence for the need to tighten rules or sufficient regard to the associated practicalities and cost-benefit implications.

The notion of independence in appearance seems to be increasingly used as a "carte blanche" to justify the introduction of ever increasingly stringent and rules- based measures in the PIE audit arena that have little to do with the actual impact on the independence of mind of an auditor. Indeed, the explanations in agenda papers are often cited as IESBA's views but lack any firm evidence. In our view, IESBA ought to consider the real impact on auditor independence of mind of proposals in a more holistic manner rather than focusing overly on views about deemed perceptions of appearances, which by nature are highly subjective. Indeed, for an effective IESBA Code designed for global application the IDW has consistently supported a principles-based approach, and consequently is concerned about the sharp increase in proposals that seek to introduce rules and finite criteria, often similar to those in place in particular jurisdictions (including the EU). Clearly where such proposals reflect legislative measures that already apply in Germany, we will not take issue on specific measures: Nevertheless, we are increasingly concerned as to the appropriateness of rules in the absence of evidence-based justification within a globally applicable Code that still purports to be principles-based. We suggest the IESBA be more sensitive to practicalities and cost-benefit implications of its proposals.

The need to clarify the impact of compliance with professional standards as a key factor mitigating the inherent self-interest threat in the audit client payer model

In paragraph 22 of the Explanatory Memorandum, IESBA states its view that a self-interest threat to auditor independence exists, based on the risk inherent whenever the party responsible for the subject of an examination directly pays the examiner. It also notes that this practice is generally recognized and accepted by intended users of financial statements.

IESBA also states its belief that compliance with professional standards is an important factor that acts to mitigate the threat and that firms might often conclude that the level of threat is at an acceptable level (see paragraphs 23, 29 and 31 of the Explanatory Memorandum). We agree with IESBA's belief that (proper) compliance with (appropriate) professional standards addresses this threat such that it does not exceed an acceptable level, and suggest that this may be one factor that explains why intended users of financial statements have generally recognized and accepted the audit client payer model.

We would also like to point out a further key factor IESBA should also recognize, which is that the audit client payer model has also shaped current laws and regulations relating to corporate governance. Accordingly, these also serve to reduce any self-review threat to an acceptably low level. For example, in Germany for an audit client that is a PIE, the supervisory board engages the auditor, the shareholders ratify this at their annual general meeting. For some regulated industries, a particular regulatory authority has a right of approval or veto of the auditor selection, whilst IESBA does not have a mandate in respect of the corporate governance systems of an auditor's clients, the independence provisions of the Code must be designed with them in mind. In other words, an alternative model would require very different independence standards.

We suggest IESBA clarify whether it accepts that generally accepted standards such as the international standards on auditing and quality control and its own Code (or equivalents that are at least as stringent) are fit for purpose in this context. For PIEs the existence of an external review mechanism for reviewing the quality of firms' audit work might be an additional factor. If this is the case, instead of requiring all firms to undertake an onerous formal determination (and evidence this with related documentation) of whether the threats are at an acceptable level in respect of each and every engagement, the Code could contain a presumption that the inherent self-interest threat in the audit client payer model is at an acceptable level, provided certain factors that increase the threat are absent. The audit firm should then only be required to undertake a formal determination of the level of threat when triggered by the presence of such factors. A further example of such factors would be the use of substantially different professional standards from those generally accepted, a departure from the applicable standards, in addition to those covered in section 410.

In our response to q. 2, we therefore suggest that IESBA debate whether proposed requirement R410.4 can be modified to reflect this approach.

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

Furthermore, sixty-four pages of rules, recommendations, and application guidance will make the proposals costly to implement and difficult to comply.

Evidence-based Standard Setting

Professional Accountancy Organizations (PAO's)

49. Wirtschaftsprüferkammer (Germany) (WPK)

In this context we would also like to remind IESBA of its commitment to an evidence-based standard setting (IESBA Strategy and Work Plan, 2019-2023, paragraph 32). While we acknowledge that also perception issues need to be taken into consideration, we strongly miss any evidence that the current fee provisions of the Code are in significant need of improvement.

Others

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

From our response to the IESBA Fees Questionnaire in 2017 and other previous Board submissions, we have maintained that the issue of fees is one of perception rather than in fact. Take for example IESBA's view as prescribed in paragraph 58 of the Explanatory Memorandum, "the fee dependency would become

so persistent and fundamental that no safeguards would be capable of reducing the threats to an acceptable level". The SMPC is not convinced in this respect, because the IESBA has not shown any specific empirical evidence to support its rationale since the inception of the fees project. In addition, the research commissioned by the IESBA in December 2016 does not indicate a clear association between fee dependency and auditor independence or even on audit quality.

In the SMPC's view, when standard-setters plan to change any standard or rule, they need to ascertain whether an extant standard or rule is not effective in the first place (hence, the need to change). In relation to this proposal, the SMPC believes that the IESBA could have conducted a post-implementation review on the extant code and researched further on the correlation between audit quality and fee dependency while carrying out a survey on practical implementation in each jurisdiction, rather than asking for feedback in Q13 in this ED.

Possible Consequences of the Proposals

Professional Accountancy Organizations (PAO's)

24. CPA Australia (CPAA)

Additionally, CPA Australia recognises the challenges of setting standards which directly impact business and commercial decisions made by audit firms. The IESBA is encouraged to carefully consider the impact of Fee- related provisions on firms' ability to engage with markets, particularly where proposed revisions result in Mandatory Audit Firm Rotation (MAFR). As the IESBA is aware, there is mixed evidence to support the introduction of MAFR, which the IESBA considered as part of previous reviews of the Code and chose not to implement.

CPA Australia recommends that the IESBA carefully consider the potential unintended consequences of the proposed provisions, one of which may be a concentration of audit services with large firms or network firms, leading to further public interest concerns.

Coordination with IAASB

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

We acknowledge that this project requires coordination with the International Auditing and Assurance Standards Board (IAASB), and also note the efforts of both Boards to ensure that these provisions are implementable.

6. International Forum of Independent Audit Regulators (IFIAR)

We welcome the coordination efforts between the different standards-setting organizations. Of particular importance is the alignment of the IESBA and the IAASB provisions relating to the difference in scope for fee-related communication to TCWG

Professional Accountancy Organizations (PAO's)

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

There are two areas where we believe better liaison with the IAASB is appropriate.

It would be useful for auditors to have comprehensive guidance on their communications with those charged with governance in one place. Accordingly, ISA 260 might include more precision resulting from the proposed changes to the Code about their independence.

The auditor's report serves a distinct purpose, which is primarily to inform the readers of the auditor's opinion (and in specific cases also about key audit matters) in the context of the respective responsibilities of management and the auditor. The auditor's report is not intended as a "collection point" for all types of peripheral information on a "nice to have" basis, because this would detract from its primary purpose.

Notwithstanding the fact that EU law requires this disclosure, in our view, the proposal to include this globally constitutes a misuse of the auditor's report for purposes other than for which it is generally intended. The proposal to potentially include disclosure of fee-related information in the auditor's report also requires the acceptance of such disclosures in the auditor's report by the IAASB: This is not a matter that the IESBA can decide without reference to the IAASB.

49. Wirtschaftsprüferkammer (Germany) (WPK)

We appreciate that IESBA has been engaging more closely with the IAASB recently to ensure that any proposed changes to the Code are consistent or otherwise interoperable with the ISAs. We would encourage IESBA, as further explained below, to intensify the co-operation with the IAASB with regard to the disclosure of fee-related information and communication with TCWG.

Coordination between NAS and FEEs Projects

5. IRBA

We acknowledge the coordination between the IESBA Non-Assurance Services (NAS) Project and the current IESBA Fees Project. Such coordination is necessary to retain the quality and consistency that is a hallmark of the restructured and revised IESBA Code. However, we have noted a significant difference in approach between the two projects that may require reconsideration. The IESBA NAS Project distinguishes between assurance and non-assurance services, while the IESBA Fees Project refers to audit and non-audit services. While we understand the reason for the differences in approach, we question the value and utility of these distinctions, and highlight the potential for confusion in practice.

Challenges in the Covid-19 Environment

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

The Covid-19 pandemic has already had an effect on the audit environment. Firms should apply extra scrutiny to non-compliance matters that a client may attribute to the fallout from Covid-19. In specific regard to fees, if the client clearly and desperately needs a discount on audit and / or non-audit fees, firms should rather offer payment plans (i.e. to allow the client to pay the relevant fees over a period of time) as opposed to issuing discounts on agreed fees, which discounts may have the effect (whether desired or not) of distorting the audit to non-audit fee ratio.

Professional Accountancy Organizations (PAO's)

49. Wirtschaftsprüferkammer (Germany) (WPK)

We would also encourage IESBA to take into consideration the tremendous impact of the current COVID-19 pandemic on the profession and kindly request IESBA to significantly extend the implementation periods of upcoming changes of the Code.

Firms

58. Moore Global Network Limited (MOORE)

The review of the fee related provisions of the Code have come at a difficult time given the far reaching impact of COVID-19. Due to the unprecedented financial challenges being faced by the majority of companies in most of the global economies in the world, including significant liquidity issues, auditors are facing significant pressure to reduce fees, but still deliver the same engagement service. Increased liquidity issues may also have an impact on the extent of overdue fees being experienced by firms.

Many business entities may either fail or drop out of the 'audit net' due to falling revenues and reduction in size. For some audit firms, depending on the composition of their client base, this could create potential fee dependence issues relating to remaining larger clients of audit firms, as a result of a reduction in their fee

base at the smaller end. We appreciate that this would not have been foreseen when this Exposure Draft was being developed.

Whilst the amendments to this Code were written pre-pandemic, COVID-19 is likely to have a lasting impact on the global economy and it is important that the challenges posed by the “new normal” post COVID-19, are given appropriate consideration. We therefore wonder if now is the right time to consider making changes since it is entirely likely that further changes may be necessary in short order to reflect the shifting world and professional circumstances.

A number of the proposals set out in the Code seek to tighten the requirements in the Code due to the increased public scrutiny over the audit profession in recent years. Whilst the public’s trust in the

audit profession is still vitally important, it is important that IESBA now reflects on whether these changes are still fit for purpose given the real challenges being faced by both audit firms and their audit clients today.

Proposed Changes to Non-PIE

Firms

58. Moore Global Network Limited (MOORE)

As members of a mid-tier network of independent firms (rather than an integrated or highly centralised network which can both command/ control its member firms, and over which there can be some level of central fee arbitration/control or fee inter-dependency between firms), our firms have complete operational autonomy in relation to their client fee. There is no profit or fee sharing between firms or the network, and therefore no inter-dependence.

Whilst we broadly accept the more stringent transparency requirements, and fee considerations, in relation to Public Interest Entities, we have strong reservations around the proposals to extend the non-audit fee considerations in relation to non-PIE audit clients within networks. In particular, we disagree with what appears to be a proposal to compare network non-audit fees to network audit fees for non-PIE clients. Given the independent operation of each of our firms we consider this to be a step too far, given the minimal or non-existent threat to independence. The only exception would be where more than one firm signs a joint contract for audit service where we would consider that there is inter-dependence and agree that non-assurance fees v audit fees for the services provided across those firms must be considered.

The proposed changes for non-PIE clients would have significant cost, resources and time implications for both the network and the individual firms involved, including the re-engineering of conflict checking platforms, when the threat is minimal or non-existent. This should be mandatory only for integrated or centralised networks or IESBA could consider taking a threats/safeguards approach as highlighted in our response. Were IESBA to proceed with the proposal in this ED the implementation period would need to be extended.

Further we consider it unreasonable, and in all likelihood unworkable, to expect the responsibility of disclosure of audit fees for non-network firms to rest with the group auditor, rather than the client.

Balance Between PIEs and Non-PIEs

Firms

52. Crowe Global (CROWE)

We agree with much of your proposed approach and our responses to your request for specific comments are presented in the appendix to this letter. In general, your proposals make sense and are in the public interest, and as you observe, in some cases, already reflect the direction that national requirements have taken in some countries. However, in concluding this project IESBA ought to consider the distinction between Public Interest Entity (PIE) engagements and non-PIE engagements. There needs to be a balance in the Code, and this ought to be recognised when addressing the threats relating to the negotiation of fees and in developing the role of an independent committee as a safeguard. Threats to independence and the public interest are clearly much greater for PIE engagements. Some solutions might be of limited value in

promoting the public interest but could be perceived as a barrier of entry to the audit market as a whole or to the PIE audit market.

Public Sector Organizations

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

We have a philosophical issue about the application of different independence requirements to public interest entities versus non-public interest entities. This is because the criteria that is used to distinguish public interest entities from non-public interest entities is arbitrary from an audit independence perspective. In addition, in an absolute sense, we do not agree that the stakeholders of PIE entities have heightened expectations regarding an auditor's independence.

This view tempers our responses to questions 6 to 12.

Safeguards

Public Sector Organizations

13. United States Government Accountability Office (GAO)

We support the International Ethics Standards Board for Accountants' (IESBA) efforts to clarify that independence threats are created by fees paid for audit and assurance engagements.

However, we believe that the Code could provide additional safeguards to address the self-interest and intimidation threats created by circumstances related to audit fees, such as the proportion of fees for services other than audit and fee dependency. While we agree that having an external review of the audit work could reduce the threats, we believe that the IESBA should consider providing additional safeguards to assist professional accountants in adhering to the Code. Alternatively, if the IESBA believes that an external review is the only acceptable safeguard, we suggest that the IESBA explicitly state that point. We believe that clarifying which safeguards are acceptable will help ensure that professional accountants that provide audit and assurance services maintain their independence.

Setting Minimum Duration of Audit Engagement

Professional Accountancy Organizations (PAO's)

23. Compagnie Nationale des Commissaires aux Comptes (CNCC)

Finally, we note that a lot of the issues highlighted in the exposure draft could be mitigated if the duration of the initial audit engagement was longer as it is the case in France where the duration of the initial audit engagement is six years. It provides a relief against the possible client's pressure not to renew the auditor's engagement from one year to the other.

More Prominent Role to PAIBs

Firms

50. Baker Tilly International (BKTi)

We are disappointed that greater prominence isn't given in consideration of the role of Professional Accountants in Business in relation to auditor independence, and associated audit quality, in the proposed revisions to the Code. We believe that there should be stronger requirements for Professional Accountants in Business with regard to agreeing an appropriate fee for the audit as we believe that the conforming amendments in 270.3 A3 are not sufficient. We recommend that a specific requirement be added to R270.3 requiring Professional Accountants in Business to ensure that audit fees are sufficient to enable the auditor to comply with professional standards and independence requirements.

Multi-disciplinary Business Model

Professional Accountancy Organizations (PAO's)

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

We note the discussion in the Explanatory Memorandum concerning IESBA's role in relation to firms' multi-disciplinary business models whereby firms often provide audit services together with consulting and advisory services to a wide range of clients.

The IDW firmly agrees with the IESBA contentions that such concerns are beyond the IESBA's mandate.

We note the discussions in various parts of the world as to multidisciplinary firms but are convinced that this model remains appropriate in today's increasingly complex environment to ensure firms also have the access to appropriate expertise necessary to safeguard quality audit.