

Meeting: IESBA CAG
Meeting Location: New York
Meeting Date: March 6, 2017

Agenda Item

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Fees

Objective of Agenda Item

1. To receive a presentation from Prof. David Hay about his [final report](#) on his review of academic research and other relevant literature to identify whether there are trends or other factors that indicate a relationship between fees charged by firms and threats to compliance with the fundamental principles and to independence.

Status and Timeline

2. The IESBA's Strategy and Work Plan 2014-2018 includes a commitment for the IESBA to explore fee-related matters raised by the regulatory community and determine whether there is a need for further enhancements to the Code or the commissioning of staff guidance.
3. In approving due process for certain changes to the independence provisions of the Code pertaining to non-assurance services (NAS) at its March 2015 meeting, the PIOB called on the IESBA to revisit issues on auditor independence and NAS from a broader perspective, including consideration of fee-related issues. In response to this call and in the context of its strategic commitment to explore fee-related matters, the IESBA established a working group (WG) in July 2015 to initiate fact finding on fee-related matters in various jurisdictions.
4. As an initial step to further work in this area, the IESBA commissioned its staff to develop a publication to highlight important considerations that already exist in the Code for auditors in relation to the setting of audit fees. The IESBA Staff publication, [Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure](#), was released in January 2016.
5. At its March 2016 meeting, the IESBA:
 - (a) Approved the WG's Terms of Reference;¹ and
 - (b) Agreed the scope and focus of, and approach to, the WG's fact finding work.
6. Subsequently, the IESBA commissioned an academic, [Prof. David Hay](#), to undertake a review of relevant academic and other literature for purposes of informing the IESBA's future actions on the topic. As part of the fact finding, the IESBA also plans to engage with key stakeholders, in particular investors, regulators and audit oversight bodies, firms and the corporate governance community to obtain an understanding of their respective perspectives on the identified fee-related matters.

¹ The WG's approved Terms of Reference are included in the [Appendix](#) to the minutes of the March 2016 IESBA public session.

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7. At the [December 2016](#) IESBA meeting, Prof. Hay presented his [final report](#). The IESBA also received an update from the WG on other fact-finding initiatives, including the review of relevant laws and regulations in G20 jurisdictions as they relate to fees.
8. At its [March 2017 meeting](#), the IESBA will: (a) consider a briefing paper that includes the WG's analysis of the fact finding work completed to-date; and (b) be asked to provide input on an approach to the last phase of the fact-finding work (i.e., reaching out to specific stakeholders). The WG plans to develop recommendations for the IESBA's consideration after it concludes its analysis of the last phase of its fact-finding work.

Matters for CAG Consideration

9. Representatives are asked to:
 - (a) Note Prof. Hay's presentation; and
 - (b) Share any preliminary reactions.

Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY

Fees—December 2016 Summary of Research Briefing Paper <http://www.ethicsboard.org/system/files/meetings/files/Agenda-Item-6A-Fees-Summary-of-Research-Final-Report.pdf>