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Mr. Ken Siong
IESBA Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, New York 10017 USA

Re: Fees questionnaire

Dear Mr. Siong,

We are pleased to have the opportunity to respond to the International Ethics Standards Board for Accountants' (IESBA or Board) Fees Questionnaire.

The following are our responses to the request for specific comments in section B survey questions - B2 Accounting Firms and Other PAPPS:

1. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.

The level of fees can cause perceived independence issues in a number of circumstances, including:

- At the level of firm and individual partner, to the extent that they indicate over-dependency on a single client.
- At the level of an individual audit the ratio of Audit Fees to Non-Audit Service

In addition to the level of the fees certain other characteristics of the fee can affect perceived independence eg. the structure of the fee (contingent or deferred) and the extent to which it is overdue.

Notwithstanding the above, often independence of mind is less of an issue in practice through the application of effective safeguards.

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2. **What policies and procedures does your firm have in place to deal with threats that might be created by the level of fees charged? For example, does your firm monitor client revenues to identify possible fee-related ethical issues such as a self-interest threat created by over-reliance on fees (e.g., by office, individual engagement partners or other method)? If so, please explain.**

The network has policies to address potential threats related to fees (both high and low). The policies specifically address relative size of fees as well as overdue fees.

Member firms are responsible for designing and implementing their own detailed policies and procedures to take into account their own circumstances. Examples of procedures from member firms include:

- For all engagement acceptance and engagement continuance a centralized department evaluates the proposed fees.
- Central approval is needed for fees that are above or below certain thresholds
- For non-audit services that exceed certain thresholds Ethics Partner approval is needed.
- Tracking past due fees

In addition, Global assesses the design, implementation and effectiveness of local policies and procedures as part of its monitoring programme.

3. **Do you believe that the IESBA Code establishes sufficient and appropriate provisions (see blue text in column D) to help professional accountants and firms deal with threats to compliance with the fundamental principles and independence that might be created by the level of fees charged? Do you believe that the IESBA Code appropriately deals with the issues you identified in Q1?**

Generally we believe that the IESBA code establishes sufficient and appropriate provisions in relation to most aspects of fee dependency. However, perhaps there is not sufficient guidance to address concerns which could arise from fees that are inappropriately low.

4. **Do you believe that there are aspects of your firm's policies and procedures described in Q2 above that are more stringent than the provisions in the IESBA Code? If so, please explain why.**

Yes in a number of occasions our policies and procedures are more stringent than the IESBA Code.

The reasons for this include, inter alia:

- Higher local regulations (eg. EU non-audit service fee restrictions)
- Operationalizing the principles set out in the IESBA Code
- Addressing issues not specifically covered in the IESBA Code (eg. low fees)

Improving consistency of application across a firm and the network

5. **What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?**

The principles and requirements as set out in the IESBA Code are in our opinion fit for purposes for application at a global level. Our observation is that many of the concerns are being raised at a local jurisdictional level and as such the most appropriate solutions are perhaps best constructed at this level eg. Guidance on Those Charged with Governance playing a role in the assessment of the auditor's independence through approval of non-assurance services.

6. As a matter of policy, does your firm provide non-audit services to audit and assurance clients?
- If yes, are there certain types of services beyond those prohibited by the IESBA Code that your firm does not provide? Please provide some examples.
 - If no, why?

Subject to a rigorous independence assessment and monitoring, providing non-audit services to audit clients are permitted unless prohibited by local regulations.

7. In your opinion, would a high ratio of non-audit fees to audit fees charged to an audit or assurance client create threats to an auditor's compliance with (Please select one or more answers):
1. Professional competence and due care as defined by the IESBA Code?
 2. The other fundamental principles that are included in the IESBA Code - integrity, objectivity, professional behavior and confidentiality?
 3. Independence as defined by the IESBA Code?
 4. None of the above.

Points 2 & 3 above are selected.

8. In your opinion, would a professional accountant's or the firm's compliance with one of the following be impacted if a high percentage of that firm's revenue is generated from providing non-audit services to the firm's clients (Please select one or more answers):
1. Professional competence and due care as defined by the IESBA Code?
 2. The other fundamental principles that are included in the IESBA Code - integrity, objectivity, professional behavior and confidentiality?
 3. None of the above.

Point 2 above is selected.

We appreciate the opportunity to respond to the Fees questionnaire and hope that our comments will be helpful to the Working Group.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Chris Smith
Global Head of Audit and Accounting