

Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
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(sent via email)

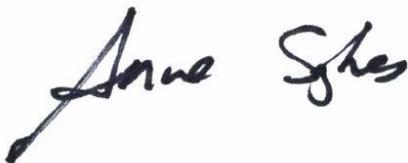
Dear Mr Siong

### **Exposure Draft Proposed Revisions to the Fee Related Provisions of the Code**

Chartered Accountants Ireland ('the Institute') is pleased to have the opportunity to comment on the Exposure Draft Proposed Revisions to the Fee Related Provisions of the Code. We have commented on the individual question posed in the attached.

If there are any matters in our comments which would be helpful to discuss in more detail, we would be happy to do so. Please feel free to contact me in that regard on +353-1-6377313 or by email to [Anne.Sykes@charteredaccountants.ie](mailto:Anne.Sykes@charteredaccountants.ie)).

Yours sincerely



Anne Sykes  
Secretary  
Audit and Assurance Committee  
Chartered Accountants Ireland.

### **Evaluating Threats Created by Fees Paid by the Audit Client**

1. Do you agree that a self-interest threat to independence is created and an intimidation threat to independence might be created when fees are negotiated with and paid by an audit client (or an assurance client)?

While we support the strengthening of the Code in the context of fees, and understand that IESBA wish to recognise that in an ideal world one would not negotiate with ones examiner, we question whether threats to independence arise during the negotiation process given both the client and the audit firm can walk away at any time during negotiations. The ability to walk away effectively negates any intimidation threat, while the free market and robust tendering processes, in our market at least, mitigate against any self-interest threat.

The free market and robust tendering processes in our market also mitigate against these risks. Furthermore, the Transparency Rules provide visible market information for all interested parties and regulators.

2. Do you support the requirement in paragraph R410.4 for a firm to determine whether the threats to independence created by the fees proposed to an audit client are at an acceptable level:

- (a) Before the firm accepts an audit or any other engagement for the client; and
- (b) Before a network firm accepts to provide a service to the client?

We believe that the firms should monitor and re-evaluate the potential threat at all stages of the engagement.

We believe that the application guidance in this section is useful but would suggest that the statement in 410.4A1 be amended to insert “may create” rather than “creates”; “When fees are negotiated with and paid by the audit client, this may create creates a self-interest threat and might create an intimidation threat to independence. “

3. Do you have views or suggestions as to what the IESBA should consider as further factors (or conditions, policies and procedures) relevant to evaluating the level of threats created when fees for an audit or any other engagement are paid by the audit client?

In particular, do you support recognizing as an example of relevant conditions, policies and procedures the existence of an independent committee which advises the firm on governance matters that might impact the firm’s independence?

We would note that in PIE audit clients, where the key stakeholders are members of the public as shareholders, the Audit Committee fills this role and reviews and monitors fees paid for audit and other professional services from the audit firm.

Additionally, an audit firm’s governance structures and quality management structures already include mechanisms for monitoring the level of fees, paid and unpaid and fees for non-audit services.

At an engagement level within the audit firm the role of the Engagement Quality Control Reviewer will provide additional safeguards with regard to adherence to procedures and policies regarding independence.

Accordingly, we do not feel there is a need for any further procedure or policy in this area.

### **Impact of Services Other than Audit Provided to an Audit Client**

4. Do you support the requirement in paragraph R410.6 that a firm not allow the level of the audit fee to be influenced by the provision by the firm or a network firm of services other than audit to the audit client?

Yes, we agree that the provision of other services, by the firm or a network firm, should not influence the level of the audit fee.

### **Proportion of Fees for Services Other than Audit to Audit Fee**

5. Do you support that the guidance on determination of the proportion of fees for services other than audit in paragraph 410.10 A1 include consideration of fees for services other than audit:

(a) Charged by both the firm and network firms to the audit client; and

(b) Delivered to related entities of the audit client?

While in general firms have safeguards in place to track fees for all services, requiring consideration of fees charged by the network may be more difficult in some networks. Additionally, any self-interest threat to independence arising from fees for other services to the network is usually very low as the network's arrangements do not routinely include profit sharing arrangements. However there may be a perception of a threat to independence where work is referred around a network.

We believe that the role of an "appropriate reviewer" discussed in 410.10 A3 requires further consideration. It is unclear who would perform such a review. It is also unclear as to the scope of this review and we would question whether they are in fact reviewing the quality of the audit work and whether the EQC review which is required where the public interest need is greatest does not fully address the threat. We do not agree that another category of reviewer is needed given that audit firms already have an ethics partner and requirements for quality control reviewer roles are already in place. Furthermore, the provision does not include recommendations for consequences if the fee is too high or too low.

### **Fee Dependency for non-PIE Audit Clients**

6. Do you support the proposal in paragraph R410.14 to include a threshold for firms to address threats created by fee dependency on a non-PIE audit client?

Yes, we are supportive of this proposal.

Do you support the proposed threshold in paragraph R410.14?

Yes, we are supportive of the proposed threshold.

### **Fee Dependency for PIE Audit Clients**

8. Do you support the proposed action in paragraph R410.17 to reduce the threats created by fee dependency to an acceptable level in the case of a PIE audit client?

While we agree in principle with the proposals in this paragraph, we believe that it would benefit from further consideration as to the practical implications. .

In particular, it is not clear who this external accountant might be and what level of experience and qualification they would need. For instance, would they need to be an audit partner in a similar firm with industry and other relevant experience? Would the professional indemnity insurance cover of the hiring firm be extended to over them or would they need to have their own cover?

The extent of the review and their responsibilities/liability (if any) to the audit client need to be clarified. The timing of the review would need to be clear and where it overlaps or otherwise with the firm's own engagement quality control reviews.

9. Do you agree with the proposal in paragraph R410.19 to require a firm to cease to be the auditor if fee dependency continues after consecutive 5 years in the case of a PIE audit client? Do you have any specific concerns about its operability?

We agree with the proposal in this paragraph.

10. Do you support the exception provided in paragraph R410.20?

We agree with the exception in this paragraph.

### **Transparency of Fee-related Information for PIE Audit Clients**

11. Do you support the proposed requirement in paragraph R410.25 regarding public disclosure of fee related information for a PIE audit client? In particular, having regard to the objective of the requirement and taking into account the related application material, do you have views about the operability of the proposal?

We support the proposed requirements as companies, in Ireland and Northern Ireland, are already required to disclose audit fees and related information in their annual report.

Inclusion in the annual report in the notes to the financial statements is a reasonable matter. If the client does not include the relevant disclosure the auditor has the option to include the information in their audit report.

12. Do you have views or suggestions as to what the IESBA should consider as: (a) Possible other ways to achieve transparency of fee-related information for PIEs audit clients; and (b) Information to be disclosed to TCWG and to the public to assist them in their judgments and assessments about the firm's independence?

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

### **Anti-Trust and Anti-Competition Issues**

13. Do you have views regarding whether the proposals could be adopted by national standard setters or IFAC member bodies (whether or not they have a regulatory remit) within the framework of national anti-trust or anti-competition laws? The IESBA would welcome comments in particular from national standard setters, professional accountancy organizations, regulators and competition authorities.

We are not aware of any issues here on this matter.

### **Proposed Consequential and Conforming Amendments**

14. 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?

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?

*We support any necessary consequential and conforming amendments.*

*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.*

15. Do you believe that there are any other areas within the Code that may warrant a conforming change as a result of the proposed revisions?

*We are not aware of any further confirming changes required.*

### **Request for General Comments**

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

- Those Charged with Governance, including Audit Committee Members – The IESBA invites comments regarding any aspect of the proposals from individuals with responsibilities for governance and financial reporting oversight. This includes small businesses where a single owner manages the entity and also has a governance role.
- Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.
- Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

*We are concerned that proposals may give rise to additional costs to audit firms (and their clients?) and require changes to their internal regulatory systems, this may require a significant lead in time. We also believe that once these changes are in place there should be an appropriate hiatus on further change to allow time for the new processes and procedures to bed down and impact the profession before further revisions are proposed.*