

(NBAA)



THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
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Date: 4th May, 2020

Managing Director,
International Federation of Accountants,
International Ethics Standards Board for Accountants,
529 5th Avenue
New York, New York 10017

Dear Sir/Madam

RE: PROPOSED REVISION TO THE FEE-RELATED PROVISIONS OF THE CODE

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft on the proposed revision to the fee-related provision of the code.

Specific Matter for Comment 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)?

Yes: We do agree.

Specific Matter for Comment 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?

Yes: We do support the requirement in paragraph R410.4.

Specific Matter for Comment 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?

Yes: We do agree, but there is no need of establishing a new independent committee, we are of the view that independent committee which is responsible for audit matters (Audit Committee) can work on audit fee issue. Furthermore, forming a new independent committee can increase cost to the audit client.

Specific Matter for Comment 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 do support the requirement in paragraph R410.6.

Specific Matter for Comment 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?

Yes: We do agree with the proposed guidance as it can lead to improved transparency.

Specific Matter for Comment 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? Do you support the proposed threshold in paragraph R410.14?

Yes: We do agree support the proposed threshold.

Specific Matter for Comment 7:

Do you support the proposed actions in paragraph R410.14 to reduce the threats created by fee dependency to an acceptable level once total fees exceed the threshold?

Yes: We do agree support the proposed actions to reduce fee dependency threat.

Specific Matter for Comment 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?

Yes: We do support the proposed actions.

Specific Matter for Comment 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?

Yes: We do support the proposal but more guidance should be provided on action plans on what a firm can be doing to reduce the prescribed dependency period.

Specific Matter for Comment 10:

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

Yes: We support the proposed exception, we propose adding that a firm can continue with the audit engagement if it is a legislative jurisdictional requirement.

Specific Matter for Comment 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?

Yes: We support the proposed requirement in paragraph R410.25.

Specific Matter for Comment 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?

Answer: We propose that fee payment issues should be reported as part and parcel of Key Audit Matter paragraph by the auditors to enhance disclosure.

Specific Matter for Comment 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.

Answer: We have a view that the proposals should be adopted by IFAC member bodies to enhance consistency.

Specific Matter for Comment 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?

Answer: We do support the proposed consequential and conforming amendments.

Specific Matter for Comment 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?

No: We do not believe if there are any other areas warranting conforming changes.

General comment

We recommend that fee dependency ceasing period of five years to be as proposed but room should also be given for jurisdictions to determine the time period.

If you require any clarification on our comments, please contact the undersigned.

Yours sincerely,



CPA Angyelile V. Tende

For: EXECUTIVE DIRECTOR



Member of International Federation of Accountants (IFAC) & Pan African Federation of Accountants (PAFA)



All communication to be addressed to the Executive Director NBAA

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