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Mr K Siong,
Technical Director,
International Ethics Standard Board for Accountants,
529 Fifth Avenue, 6th Floor,
New York,
NY 10017,
USA.

Dear Mr Siong

Proposed Revisions to the Fee-related Provisions of the Code

Crowe Global is delighted to present a comment letter on the Exposure Draft *Proposed Revisions to the Fee-related Provisions of the Code*. Crowe Global is a leading global network of audit and advisory firms, with members in some 130 countries.

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.

We trust that our comments assist the IESBA in progressing this project. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty".

David Chitty
International Accounting and Audit Director

Appendix – Response to Request for Specific Comments *Proposed Revisions to the Fee-related Provisions of the Code*

Question	Response
<i>Evaluating Threats Created by Fees Paid by the Audit Client</i>	
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)?	We agree that a potential independence threat does arise from the process for negotiating, rendering and collecting fees from audit clients. We agree with IESBA's efforts to revise the Code of Ethics for this area, but revisions have to achieve a balance, with differentiation between those that apply to the audits of public interest entities (PIE) and those that apply to audits of non-public interest entities.
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 agree with this requirement.
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?	As we have commented above IESBA has to address the distinction between fee issues arising for PIE and non-PIE audits. The proposal for an independent committee is relevant in an environment where the audits of PIEs are significant. An independent committee is appropriate in a firm that audits a significant number of PIEs. The resources required to support such a committee might be regarded as a barrier of entry to the audit market as a whole or to the PIE audit market, thereby limiting choice of audit firms. Limiting choice is not in the public interest, potentially increasing fees and limiting investment and innovation in the audit practice, resulting in a risk of impairment to audit quality. Therefore, IESBA ought to reflect carefully on developing proposals for independent committees, with the aim of achieving the right balance.
<i>Impact of Services Other than Audit Provided to an Audit Client</i>	
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	We agree with this requirement.

provision by the firm or a network firm of services other than audit to the audit client?	
<i>Proportion of Fees for Services Other than Audit to Audit Fee</i>	
<p>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:</p> <p>(a) Charged by both the firm and network firms to the audit client; and</p> <p>(b) Delivered to related entities of the audit client?</p>	<p>We support the presentation of the guidance on determination of the proportion of fees for services other than audit.</p>
<i>Fee Dependency for non-PIE Audit Clients</i>	
<p>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?</p>	<p>We support the proposal in R410.14. The threshold appears reasonable.</p>
<p>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?</p>	<p>The proposed actions are a reasonable safeguard.</p>
<i>Fee Dependency for PIE Audit Clients</i>	
<p>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?</p>	<p>We agree with this proposed action.</p>