



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE.**

Ciudad de Panamá May 4nd, 2020

Carta N.º 014/2020 AIC

Members of the Board

International Ethics Standards Board for Accountants® (IESBA®).

529 5th Avenue, 6th Floor
New York, New York 10017

REF: Proposed Revisions to the Fee-related Provisions of the Code

Dear Members of the Board,

The Inter-American Accounting Association (IAA) (AIC – in Spanish), welcomes the opportunity to comment on the Exposure Draft Proposed Revisions to the Fee-related Provisions of the Code

This reply summarizes the views of different member countries of the IAA, according to the following due process:

Due process:

The Draft was submitted to the different IAA member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members

General comments:

We decisively support the IESBA initiative on this important issue, considering the educational issue as fundamental in the formation and exercise of the accounting and auditing professional.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Maria Clara Cavalcante B.
PRESIDENT



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE.**

Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to; “Proposed Revisions to the Fee-related Provisions of the Code”

We have answered the questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

Request for Specific Comments

Evaluating Threats Created by Fees Paid by the Audit Client

Question 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)?*

Answer 1 Yes, we agree because the issue of fees is directly linked to the threat of self-interest, not only of independence but also of ethical attributes related to fundamental principles such as objectivity, professional behavior, due diligence, among others. Excessive fees, added to all those received by the professional, be it for auditing, review, other assurance and non-assurance services, could position the auditor before users as prioritizing their fees in the aforementioned matters, regardless of whether this is real or not, which would create a negative impact on their apparent independence, even if their real independence was not compromised.

Question 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?*

Answer 2 Yes, we support. We understand that the requirement set forth in the proposed amendment to the Code, in paragraph R410.4, is necessary and fundamental.

- a) The firm must not only evaluate if the level of threats created by the fees or any other emolument perceived by it is reduced to an acceptable level, otherwise it should not accept the assignment, consequently, it is a condition for the acceptance of said work consideration. Additionally, the firm should re-evaluate during the term of the service or the services accepted if the threats to independence created by the remuneration remain at the acceptable level, otherwise it should renounce the assignments or part of it, or request legal advice.
- b) The same behavior must be observed before a network firm agrees to provide customer service, for the same reasons mentioned in (a).

Question 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*



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE.**

existence of an independent committee which advises the firm on governance matters that might impact the firm's independence?

Answer 3 Yes, we believe that an extremely important aspect to take into account as another of the relevant factors when evaluating the threat is the professional opinion of a lawyer, more than ever it is important to measure its level using the legal criteria of a trustworthy professional lawyer. Legal advice on this matter, we understand, is essential. Furthermore, we agree that the firm has an independent committee to advise it on government matters that could affect its independence.

Impact of Services Other than Audit Provided to an Audit Client

Question 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?*

Answer 4 Yes, we support the understanding that the setting of fees for the financial statement audit service should be conditioned only on factors evaluated by the firm related to the provide service and should not be related to the condition of providing another type of service other than the auditory; For example, it is not appropriate to reduce financial statement audit fees on the condition that the audit client provides a different service to compensate for the reduction in audit fees.

Proportion of Fees for Services Other than Audit to Audit Fee

Question 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:*

- (c) Charged by both the firm and network firms to the audit client; and*
- (d) Delivered to related entities of the audit client?*

Answer 5 Yes, we support. With the same argument as our comment to numeral 4, above, the relation of professional audit fees of financial statements cannot and should not be linked to any condition other than services, consequently, it would distort the amount of audit fees its self:

- a) Audit fees, both by the firm and by network firms, are charged to the audit client. Furthermore, this would damage the fundamental ethical principle of "Integrity", in addition to objectivity.
- b) A similar case would arise if it were charged to related entities of the audit client that would not even receive the work.

Fee Dependency for non-PIE Audit Clients

Question 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?*



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE.**

Answer 6 Yes, we support the proposal in paragraph R410.14 because if in any year, not just in each of the five consecutive years, the total fees of an audit client is or is not a public interest entity represent more than 30% of the firm's total fees would imply an excessive dependence on that client and the possible loss of this client would generate a financial problem that could jeopardize the firm's resources to fulfill satisfactorily with the other orders it has, for Therefore, we agree with the proposal in paragraph R410.14, including the established threshold.

Question 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?*

Answer 7 Yes, we support. We consider that the proposals, both to use a professional accountant who is not a member of the firm to review the work corresponding to the fifth year, as well as to have a professional accountant who is not a member of the firm or to resort to the professional union to Review the audit work for the fifth year, before the firm issues its opinion on the sixth year financial statements.

Fee Dependency for PIE Audit Clients

Question 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?

Answer 8 Yes, we support. We understand that as a safeguard measure to reduce to an acceptable level the quality review of the work performed by a professional accountant who is not a member of the firm and before the latter issues its opinion on the financial statements corresponding to the second year if its total fees of an audit client that is a public interest entity in each of the two consecutive years total more than 15% of their total fees.

Question 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?*

Answer 9 Yes, we agree that the auditor ceases to perform an audit client, who is PIE, after issuing his opinion for the fifth year, if the fee reliance provided in paragraph R410.17 continues for five consecutive years, with the exceptions provided in R410.20.

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

Answer 10 Yes, we support it. In consistency with our agreement to number 9, above, we agree that the auditor continues to audit a client that is a public interest entity despite the limitations contemplated in paragraph R410.19 if:

- a) the firm obtains, by consultation, a response from an independent regulatory body or a professional union in its jurisdiction (country) that it agrees that the appellant firm continues as auditor of a public interest entity, and



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE.**

- c) The firm has to hire a professional accountant who is not a member of the firm to conduct a prior review before the firm issues its report on the financial statements for the sixth year, and for any other year thereafter.

Transparency of Fee-related Information for PIE Audit Clients

Question 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?*

Answer 11 Yes, we support, although we doubt its effectiveness. It is a sensitive matter that should be treated with extensive care in order to prevent firms from unproven criticism from the public that is not a direct user of the firm's reports.

We do not have specific procedures that could lead to the operation of the proposal.

Question 12 *Do you have views or suggestions as to what the IESBA should consider as:*

- (e) *Possible other ways to achieve transparency of fee-related information for PIEs audit clients; and*
- (f) *Information to be disclosed to TCWG and to the public to assist them in their judgments and assessments about the firm's independence?*

Answer 12 No. We do not have it at the moment, but we are convinced that in the future, once the modifications have been implemented, new elements will emerge that may be worth considering for these purposes.

Anti-Trust and Anti-Competition Issues

Question 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 13 We believe that member organizations, due to their obligations, should adopt without restrictions the proposals made.

Proposed Consequential and Conforming Amendments

Question 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?*



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE.**

Answer 14 Yes, we support because we understand that they are necessary and adequate. With respect to the fees in default would vary in each circumstance and the idiosyncrasy of each jurisdiction. However, it is prudent to wait for the cancellation of fees before issuing the final report by an assurance service.

Question 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?*

Answer 15 There is no doubt that there will be some relevant aspect not covered in this proposed amendments. However, this is inevitable. Furthermore, the changes proposed as a result of the NAS project are substantial and complete.

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:

- *Q. 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.*
A. No comment.
- *Q. 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.*
A. We understand that the IESBA proposal is very important, although we believe that small and medium-sized practices will have difficulties in their application due to the lack of resources available to them, in particular the difficulties they face in having the material in their native language.
- *Q. 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.*
A. No comment.



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

- *Q. Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.
A. The developing nations have a lot of difficulties in the application of the International Code of Ethics for Professional Accountants, for many reasons, among which are the limited access to the updated Code in force due to the poor communication it has (internet), the cost to acquire, the lack of companies that sell in these countries and the problem of natural language, English, the Code and translation (see next comment) are very onerous.
- *Q. Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.
A. In Latin America we have a lot of difficulties with the translations from the English language to Spanish Language, of the documents issued by the IESBA, for this reason we understand that a great pending task of the Council is to have its own translation for to facilitate the application of the Code in the native language of each country that uses it and of those who, although they are not using it, have an interest in doing so but who find the inconvenience of translation.