



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

To

IESBA Senior Technical Director
New York USA

3rd June, 2020

Dear Sir,

Warm greetings!

The Institute of Chartered Accountants of India (ICAI) is a statutory body established by an Act of Parliament, viz. The Chartered Accountants Act, 1949 (Act No.XXXVIII of 1949) for regulating the profession of Chartered Accountancy in the country. The Institute, functions under the administrative control of the Ministry of Corporate Affairs, Government of India. The ICAI is the second largest professional body of Chartered Accountants in the world, with a strong tradition of service to the Indian economy in public interest.

The Ethical Standards Board is a Committee of ICAI for formulation of ethical standards for the profession.

The Exposure Draft of IESBA on Proposed Revisions to the Fee-related Provisions of the Code has been considered by the Ethical Standards Board of ICAI.

The response given hereunder to the Exposure Draft represent the response of ICAI, and CA. Sanjiv Kumar Chaudhary, Member, IESBA and Member, Ethical Standards Board of ICAI :-

S.N o.	Specific Question of IESBA	Response
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)?	This is fine with us.



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2.	<p>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:</p> <p>(a) Before the firm accepts an audit or any other engagement for the client; and</p> <p>(b) Before a network firm accepts to provide a service to the client?</p>	It's fine, as it provides the requisite guidance on the issue of acceptability of assignment vis-à-vis Professional Fees
3.	<p>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?</p> <p>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 (such as the remuneration of audit engagement partners in a multi-disciplinary firm that provides both audit services and services other than audit)?</p>	It is fine with us.
4.	Do you support the requirement in paragraph R410.6 that a	This is fine with us



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	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?	
5.	<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>	This is fine with us
6.	<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 are in agreement with the inclusion of threshold for firms to address threats created by fee dependency on a non-PIE audit client.</p> <p>However, the percentage and other conditions may be subject to deliberation.</p>
7.	<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>	We are in agreement with the proposal
8.	<p>Do you support the proposed action in paragraph R410.17 to reduce the threats created by fee dependency to an</p>	<p>We understand that the existing choice to Accountant to go for a Pre-Issuance Review or Post Issuance Review is proposed to be replaced with the mandatory Pre Issuance Review.</p> <p>We agree with this proposal.</p>



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	acceptable level in the case of a PIE audit client?	
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?	<p>In India, there are statutory provisions for the individual professional accountant in practice to undergo mandatory rotation in five years. The corresponding provision for rotation in case of Firm is 10 years.</p> <p>Additionally, we have incorporated the compliances with regard to partner rotation as stipulated in IESBA Code of Ethics.</p> <p>We are therefore not in agreement with this proposal as laws in our Country have already dealt with the issue.</p>
10.	Do you support the exception provided in paragraph R410.20?	Since our reply to question at s.no 9 is in negative, this does not need to be replied.
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?	There is already a mechanism in India for such public disclosure of Audit Fees and NAS Fees, although it is a requirement incumbent on the Audit client, and not on the professional accountant.
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 think that the existing provisions are sufficient, and no other measures are required.



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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.	<p>The Institute of Chartered Accountants of India has been established by the Chartered Accountants Act, 1949 for regulation of the profession of chartered accountants in India.</p> <p>We are of the view that the proposals could well be adopted by us within the framework of national anti-trust or anti-competition laws.</p>
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?	This is fine with us
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?	Don't find any

Thanking you,

Yours truly,

(CA. Kemisha Soni)

Chairperson

Ethical Standards Board

The Institute of Chartered Accountants of India

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