

## PIOB Monitoring of Comment Letters submitted by MG/IFIAR/CEAOB Members to the IESBA ED "Proposed revisions to the Fee related provisions of the Code" (published in January 2020)



As of April 2021

#	Respondent	Group	Issue	MAIN Issues/Recommendations - Description (*)	SSB's Disposition of comment
International Organizations of Securities Commissions (IOSCO)					
1	IOSCO	MG	Stricter provisions in local jurisdictions	IESBA should acknowledge that in many jurisdictions the current rules go beyond the provisions contained in the Exposure Drafts. Defining more stringent provisions could therefore serve to achieve a more widespread acceptance of the Code and consistency of application.	Extant para. 100.3 A1 states: "The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation".
2	IOSCO	MG	Clarification of PIE vs non-PIE fee dependency	The Board should make it clear in the Code why a fee dependency might be permissible for a non-PIE but is not permissible for a PIE.	Regarding fee dependency on PIE clients, the Basis for Conclusion (BfC) note that "Even if a pre-issuance review continues to be a safeguard every year after the second year, the IESBA was of the view that fee dependency on a PIE audit client cannot continue indefinitely. This is because after a certain period of time, the fee dependency would become so persistent and fundamental that no safeguards would be capable of reducing the threats to an acceptable level". Regarding non-PIE clients, IESBA noted that the aim was to create a consistent approach for non-PIEs with the one that applies to PIEs while allowing greater latitude/scalability. The IESBA considered this would be a reasonable approach bearing in mind the nature of the threats, the special considerations relating to SMPs, the public interest, and the IESBA's intention to revisit the definition of a PIE as part of a separate project.
3	IOSCO	MG	Role of TCWG	To reduce threats to independence a greater interaction between the firm or network firm and audit committees or those charged with governance (TCWG) could be envisaged. Paragraph 410.4 A2 bullet 3 ["The involvement of those charged with governance in appointing the auditor and agreeing fees, and the apparent emphasis they and client management place on the quality of audit and the overall level of fees"] better captures the role of TCWG and should be moved to the requirements section. Delete final sentence in paragraph 410.3 which states "This practice is generally recognized and accepted by intended users of financial statements".	IESBA acknowledged the comment, however did not make any changes to the text. IESBA considered that the text is already in the list of factors relevant to evaluating the level of threats. Also, they did not agree to delete the final sentence in para. 410.3 A1, on the basis that it is a longstanding Code provision.
4	IOSCO	MG	Prohibition of Contingent fees	Even immaterial contingent fees for NAS could impair the appearance of independence of the auditor. Recommended that for PIE audit clients (including when there is a PIE in the company structure) contingent fee arrangements for NAS should be prohibited.	Para. R410.9 prohibits charging contingent fees for an audit and para R410.10 sets the conditions prohibiting contingent fees for NAS. IESBA also noted in the BfC that the changes resulting from the NAS revisions will result in changes to the extent of permissible NAS to audit clients. Finally, even when NAS is permitted and the contingent fee is allowed, the Conceptual Framework would still apply to address any self-interest threat created (para. 410.10 A1).
5	IOSCO	MG	Sufficiency of safeguards - Pre-issuance review	It should be the responsibility of the firm to develop a suitable safeguard to deal with the situation where the "pre-issuance review" safeguard is unsuitable or not available. If this is not possible, the firm shall cease to be the auditor. The audit firm should document the sufficiency of the safeguard and monitor or re-assess the situation periodically.	The IESBA considered that there are no other safeguards available, therefore, if the firm concludes that this safeguard is not appropriate, then they cannot accept the engagement.
6	IOSCO	MG	Communication with TCWG of non-PIEs	TCWG should be informed of the fees and independence assessments whether or not the audit client is a PIE.	The IESBA considered that it would not be proportionate to require the communication of the same fee-related information as in the case of PIEs. Nevertheless, they noted that extant provisions of the Code already encourage communication of information to TCWG, even when not required by the Code (Paragraph 400.40 A1 and A2).
7	IOSCO	MG	Communication with TCWG of PIEs	Where local regulations permit, certain responses could be added to the application material related to para. R410.23 such as seeking and gaining preapproval from TCWG of the services prior to the commencement of the engagement.	Para. R410.23 states: "Subject to paragraph R410.24, the firm shall communicate in a timely manner with those charged with governance of an audit client that is a public interest entity: (...)". The requirement regarding the communication of fee-related information with TCWG is in line with ISA 260. IESBA decided not to prescribe a precise timing for communications to TCWG, as they note that the provisions set out a flexible approach to determine how best to achieve the objective of transparency. Nevertheless, para. 410.23 A1 indicates that: "The objective of such communication is to provide the background and context to the fees for the audit of the financial statements on which the firm expresses an opinion to enable those charged with governance to consider the independence of the firm. (...)"
8	IOSCO	MG	Related entities - revise scope for PIEs	Paragraph R410.23 (a) speaks only of related entities over which the client has direct or indirect control. The scope here is too narrow, as not only downstream entities should be focused on, but any related entity to which the client has a relationship (such as parent entities).	Final para. R410.25 (a) (ED-R410.23 (a)) limits the disclosure of fees to "the client and its related entities over which the client has direct or indirect control that are consolidated in the financial statements on which the firm will express an opinion". No changes were made to include parent entities, but the disclosure excludes non-consolidated controlled subsidiaries (e.g. private equity and portfolio complexes) to avoid undue compliance burden. Para. R410.26 requires to disclose this information when the "firm knows, or has reason to believe, that such fees are relevant to the evaluation of the firm's independence."

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International Forum of Independent Audit Regulators (IFIAR)					
1	IFIAR	MG	Definition of PIEs	We welcome the coordination efforts between the different standards-setting organizations. Of particular importance is the alignment of the IESBA and the IAASB provisions relating to the difference in scope for fee-related communication to TCWG. We further understand that the definitions of PIE and listed entity (as per IESBA) are currently under review and are being closely coordinated with the IAASB. Our assessment of the proposed changes in this exposure draft might change depending on the outcome of that project and its alignment to extant regulations across the member states of IFIAR.	N/A - No changes requested
2	IFIAR	MG	Assessment of threats to independence	Paragraph R410.4 requires firms or network firms to assess whether the threats to independence are at an acceptable level before accepting an audit or any other engagement for an audit client. We are supportive of this provision. We further suggest including, as application guidance, that this assessment could be completed before firms or network firms submit a proposal to an audit client.	The IESBA concluded that given that the assessment is a dynamic process, it would not be practicable to require the assessment to be completed before the submission of the proposal to the client.
3	IFIAR	MG	Factors to evaluate threats	The exposure draft includes factors that are relevant for the auditor in evaluating the level of threats created when fees for an audit or any other engagement are paid by the audit client. One of those factors relates to the "significance" of the audit client to the audit firm. However, no indication about how to assess the qualitative and quantitative significance of the client is provided in the Code. We believe more specific descriptions are needed to reach a consistent application of this concept and to prevent abuse. The same difficulty has been identified in relation to what is considered to be "significant" or "a long time" when assessing the self-interest threat in cases where fees are overdue.	IESBA concluded that there is no need for further clarification since these terms have been used previously in other sections of the Code.
4	IFIAR	MG	Terminology	The concept of "significance" (e.g. R410.9 (b), R410.12 and 410.13 A3), "appropriate reviewer" (e.g. 410.5 A3, 410.9 A3) or "external review" (410.4 A2) could impair the effectiveness of the provisions. We propose that IESBA provide descriptions, explanations and/or give examples to help users apply the provisions in the Code. Without further explanation of these terms, consistent application of the Code will be difficult to achieve.	IESBA concluded that there is no need for further clarification since these terms have been used previously in other sections of the Code.
5	IFIAR	MG	Contingent fees	In the current draft, certain contingent fees are prohibited for Non-Audit Services (NAS) if they meet the criteria set out in R410.9 (a). We disagree with this approach, as even immaterial contingent fees to the firm for NAS could impair independence as it results in an alignment of interests. In addition, the use of the term "significant" in paragraph. R410.9 (b) is unclear. We strongly recommend that contingent fees for NAS should not be permissible in any instance.	Para. R410.9 prohibits charging contingent fees for an audit and para R410.10 sets the conditions prohibiting contingent fees for NAS. IESBA also noted in the BFC that the changes resulting from the NAS revisions will result in changes to the extent of permissible NAS to audit clients. Finally, even when NAS is permitted and the contingent fee is allowed, the Conceptual Framework would still apply to address any self-interest threat created (para. 410.10 A1).
6	IFIAR	MG	Proportion of fees	We question the argument in the explanatory memorandum (paragraph 41) that audit practitioners might not be able to determine the exact ratio of fees for services other than audit to the audit fee in a timely manner. Given the disclosure requirements, this should be even less of an issue for firms that provide professional services to PIEs.	No changes to the proportion of fees requirement have been made, retaining a principles based approach, without a specific threshold or cap to determine what constitutes a "large proportion". The BfC (para. 50) retains similar language to para. 41 of the EM to the ED regarding one of the considerations taken into account by the IESBA to make its decision.
7	IFIAR	MG	Safeguards	410.13 A4 proposes, "Having an appropriate reviewer who is not a member of the firm review the work" as a safeguard example. We understand from the explanatory memorandum (footnote 16 to paragraph 52) that the review to address self-interest and intimidation threats could be performed by a member of a network firm. This should be clearly articulated in the Code.	Regarding the need to clarify that the review could be performed by a member of the network firm, the IESBA considered that it is not necessary to provide further clarity given the definition of Firm and network firm, i.e. since the paragraph only makes reference to the firm (and not to network firms), members of network firms are not precluded from performing the review.
8	IFIAR	MG	Safeguards	Similarly, "a professional accountant, who is not a member of the firm expressing the opinion on the financial statements", shall conduct the engagement quality review in R410.17 and the reviews described in R410.14. We encourage the Board to add specificity to the description recognizing that a member of a network firm is eligible as a reviewer. We do not believe it would be a sufficient safeguard alone to have a professional accountant, who is not a member of the firm review the work. Accordingly, we strongly suggest including additional safeguards and provisions on the appropriate reviewer concerning the reviewer's independence from the firm as well as from the audit client and the audit client's related entities.	Regarding the need for additional safeguards and provisions on the appropriate reviewer, the IESBA considered regulators' concerns about the need for an external review, but decided that the flexibility provided by the extant Code should be retained. For PIE clients, the IESBA requires that the review is equivalent to an EQR review. For non-PIE clients IESBA did not require that the review should be equivalent to an EQR; the IESBA noted that the objective of this safeguard is to give confidence that the audit work has been performed satisfactorily. In line with the Code's conceptual framework, the nature and scope of the review should be determined by the reviewer, based on the reviewer's professional judgment and the facts and circumstances, bearing in mind that objective.
9	IFIAR	MG	Communication to TCWG	R410.17 provides for one potential safeguard. However, if this is deemed unsuitable, no further actions are required by the firm. We believe that, if the firm determines that this safeguard is not appropriate, they should be required to develop a suitable safeguard to address the threat.	The IESBA considered that there are no other safeguards available, therefore, if the firm concludes that this safeguard is not appropriate, then they cannot accept the engagement.
				We support IESBA's proposal for specific disclosure of fee-related information both to TCWG and the public to mitigate independence threats in relation to PIEs. We note that no specific reference to timing of the initial involvement of TCWG is made ("timely manner"). We propose to require communication of fee-related information to TCWG before any request for approval by TCWG of the appointment of the auditor to perform the audit engagement. This should also cover how the firm addresses threats to independence.	Para. R410.23 states: "Subject to paragraph R410.24, the firm shall communicate in a timely manner with those charged with governance of an audit client that is a public interest entity: (...)". The requirement regarding the communication of fee-related information with TCWG is in line with ISA 260. IESBA decided not to prescribe a precise timing for communications to TCWG, as they note that the provisions set out a flexible approach to determine how best to achieve the objective of transparency. Nevertheless, para. 410.23 A1 indicates that: "The objective of such communication is to provide the background and context to the fees for the audit of the financial statements on which the firm expresses an opinion to enable those charged with governance to consider the independence of the firm. (...)"

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10	IFIAR	MG	Guidance on fee-related disclosures	<p>We encourage the Board to add more guidance on how to disclose fee-related information as required under 410.25 A3. For example, means of communication by which such information could be made public could include the transparency report or the website of the audit firm. It is acknowledged that 410.25 A4 introduces the option to include fee-related disclosures in the Audit Report which has been discussed with the IAASB however is not yet reflected in ISA 700 nor, if applicable, in the respective local auditing standards.</p> <p>We suggest aligning communication requirements to TCWG of audit fees and fees for services other than audit for PIEs and Non-PIEs. Should there be TCWG identified for a Non-PIE, we believe they should be informed and assess threats independence like for PIEs. However, requirements or guidance in this regard should be developed in close coordination with the IAASB.</p>	<p>The IESBA has revised the final provisions on "Public Disclosure of Fee-related Information": i) Recognized that the requirement to disclose publicly fee-related information already exists in many jurisdictions and is beneficial for stakeholders (410.29 A1). Also, the final text clarifies that, when local laws or regulations do not have such a disclosure, there is a requirement to discuss with TCWG of a PIE the benefits of including it and the information that might be relevant (R410.30).</p> <p>ii) Retained the requirement for the auditor to publicly disclose fee related information, when the PIE client does not disclose it, but limited the requirement to the disclosure of "fees paid or payable to the firm and network firms" (R410.31)</p> <p>iii) Provided more flexibility to firms on how to achieve transparency about fee-related information in a manner deemed appropriate to the circumstances, following the flexible approach of the IAASB in ISQM1. Para. 410.31 A3 provides examples such as the firm's website, transparency reports, audit quality report, audit report and other targeted communications to stakeholders.</p> <p>Regarding communications to TCWG of non-PIEs, the IESBA acknowledged this comment, however did not make any changes to the final text, considering that it would not be proportionate to require the communication of the same fee-related information as in the case of PIEs. Nevertheless, they noted that extant provisions of the Code already encourage communication of information to TCWG, even when not required by the Code (Paragraph 400.40 A1 and A2).</p>
<b>Capital Market Authority- Saudi Arabia (CMA)</b>					
1	CMASA	IFIAR Member	Technology	Suggestion to consider the use of current-time AI and statistics tools, to develop an estimate of what a reasonable fee for audit engagements is. Possibly, such fee can be linked to the size of revenue, total assets, or any other indicator.	Noted, no additional guidance included.
2	CMASA	IFIAR Member	Overdue fees	Suggests prohibiting engaging with PIE clients where over-due fees exist.	The IESBA did not prohibit overdue fees, but retained the application material stating that it is generally expected that the firm obtains payment of overdue fees before the assurance report is issued (para. 410.12 A2). In addition, R410.13 requires that when a significant part of fees are unpaid for a long time, the firm shall determine whether the overdue fees are equivalent to a loan to the client (and apply section 511) and whether to continue the engagement.
3	CMASA	IFIAR Member	Transparency report	Suggests adding the transparency report as one of the communication channels where the fees can be disclosed.	The IESBA has revised the final provisions on "Public Disclosure of Fee-related Information" and provided more flexibility to firms on how to achieve transparency about fee-related information in a manner deemed appropriate to the circumstances, following the flexible approach of the IAASB in ISQM1. Para. 410.31 A3 provides examples such as the firm's website, transparency reports, audit quality report, audit report and other targeted communications to stakeholders.
4	CMASA	IFIAR Member	Definition of terms - applicability	Paragraph 330.3 A2 indicated that the level of fee can create self-interest threat if the fee quoted is "so low". Suggest adding some explanatory material to try define what a "low level" of fee can be.	Noted that the determination of whether a level of fees is low in the context of paragraph 330 A2 depends on many factors and varies on a case by case basis. The IESBA considered it would be impractical to specify what a "low level of fees" would be in a global Code that would be applicable to each professional engagement.
<b>Independent Regulatory Board for Auditors (IRBA)</b>					
1	IRBA	IFIAR Member	Different approach of Fees vs NAS	Noted a significant difference in approach between the two projects, NAS and Fees, that may require reconsideration. The IESBA NAS Project distinguishes between assurance and non-assurance services, while the IESBA Fees Project refers to audit and non-audit services.	Similar to NAS provisions, the text of the Fees provisions in the Code refers to assurance and non-assurance services (rather than audit and non-audit services).
2	IRBA	IFIAR Member	Practical implementation	<p>IESBA implementation guidance that accompanies the final provisions will require a consideration of the practical implications. Some examples:</p> <ul style="list-style-type: none"> <li>- the concepts of "significance" (e.g. R410.9 (b), R410.12 and 410.13 A3), "appropriate reviewer" (e.g. 410.5 A3, 410.9 A3), "external review" ( 410.4 A2) and the significant complexity and judgement involved in the calculations could impair the effectiveness of the provisions.</li> <li>- the requirement in paragraph R410.6 that a firm not allow the level of the audit fee to be influenced by the provision of services other than audit requires practical consideration and clarification.</li> </ul>	<ul style="list-style-type: none"> <li>- Regarding considering the practical implementation of certain concepts, IESBA concluded that there is no need for further clarification since these terms have been used previously in other sections of the Code.</li> <li>- Regarding para. R410.6, the IESBA has added some clarifications both in the requirement and the exception under R410.7.</li> </ul>
3	IRBA	IFIAR Member	Sufficiency of safeguards	Clarify that the "external review of the quality of the firm's audit work" may be performed by an individual from either within or outside the network. IRBA questions, however, whether this is a sufficiently appropriate safeguard, whether an individual within the network firm adequately reduces the threat to an acceptable level.	<p>Regarding the need to clarify that the review could be performed by a member of the network firm, the IESBA considered that it is not necessary to provide further clarity given the definition of Firm and network firm, i.e. since the paragraph only makes reference to the firm (and not to network firms), members of network firms are not precluded from performing the review.</p> <p>Regarding the need for additional safeguards and provisions on the appropriate reviewer, the IESBA considered regulators' concerns about the need for an external review, but decided that the flexibility provided by the extant Code should be retained. For PIE clients, the IESBA requires that the review is equivalent to an EQR review. For non-PIE clients IESBA did not require that the review should be equivalent to an EQR; the IESBA noted that the objective of this safeguard is to give confidence that the audit work has been performed satisfactorily. In line with the Code's conceptual framework, the nature and scope of the review should be determined by the reviewer, based on the reviewer's professional judgment and the facts and circumstances, bearing in mind that objective.</p>

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4	IRBA	IFIAR Member	Prohibition of Contingent fees	Encourage the IESBA to strengthen R410.9 relating to contingent fees by enforcing a prohibition of contingent fees on non-assurance services to an audit client.	Para. R410.9 prohibits charging contingent fees for an audit and para R410.10 sets the conditions prohibiting contingent fees for NAS. IESBA also noted in the BFC that the changes resulting from the NAS revisions will result in changes to the extent of permissible NAS to audit clients. Finally, even when NAS is permitted and the contingent fee is allowed, the Conceptual Framework would still apply to address any self-interest threat created (para. 410.10 A1). In developing this proposal, the IESBA considered both including a threshold as a cap and as a trigger for the re-evaluation of threats. Based on feedback received, including 4 global roundtables, the IESBA concluded that a fee cap would not be appropriate in a global Code. IESBA also considered the impact of the NAS revisions, that would significantly reduce the provision of NAS to PIEs, as well as practical considerations that recognized that "the calculation of the exact ratio of fees for services other than audit to the audit fee could be a complex task".
5	IRBA	IFIAR Member	Proportion of other fees to audit fees	Encourage that a threshold approach is used for the threat to independence in the firm's consideration of the proportion of fees for services other than audit to audit fee.	IESBA included an additional factor to be considered when evaluating level of threats (410.11 A2): "Whether law or regulation mandates the services to be performed by the firm".
6	IRBA	IFIAR Member	Proportion of other fees to audit fees	In South Africa, many regulated entities require the auditor to perform assurance services and agreed-upon procedure engagements. If these are the only services provided to the client, the audit firm will still be subjected to an evaluation. This information may be misunderstood and give the wrong impression when presented to TCWG.	Para. R410.15 retained the 5-year period and 30% fee dependency threshold for non-PIE clients. The IESBA had agreed to include the proposed threshold taking into account feedback from stakeholders. IESBA noted that the aim was to create a consistent approach for non-PIEs with the one that applies to PIEs while allowing greater latitude/scalability. The IESBA considered this would be a reasonable approach bearing in mind the nature of the threats, the special considerations relating to SMPs, the public interest, and the IESBA's intention to revisit the definition of a PIE as part of a separate project.
7	IRBA	IFIAR Member	Fee dependency for Non-PIEs	The proposed threshold for non-PIE clients is subjective and complex and different to the construct for PIEs. This may prove a challenge in application and understandability. Additionally, the high threshold of 30% make it less likely to bring about the change envisioned. The time period (5 years) envisioned is too long.	No additional guidance or clarification added - IESBA considered that some element of judgment is necessary as estimated, proposed or provisional fees may need to be considered across a range of services provided to the client. The IESBA has revised the final provisions on "Public Disclosure of Fee-related Information" and provided more flexibility to firms on how to achieve transparency about fee-related information in a manner deemed appropriate to the circumstances, following the flexible approach of the IAASB in ISQM1. Para. 410.31 A3 provides examples such as the firm's website, transparency reports, audit quality report, audit report and other targeted communications to stakeholders.
8	IRBA	IFIAR Member	Fee dependency for PIEs	Would appreciate further consideration of the wording "are likely to represent" (R410.17) as it allows for an unreasonable level of subjectivity.	
9	IRBA	IFIAR Member	Disclosure of fee information: alternatives	Supportive of the inclusion in the auditor's reports as well as in the firm's transparency report. An additional method may be disclosure on the firm's website.	
<b>Irish Auditing &amp; Accounting Supervisory Authority (IAASA)</b>					
1	IAASA	IFIAR Member	Definition of PIEs	It is important to ensure that the concepts used in the Code are consistent or at least compatible with those used in the European context in order to facilitate application of the IESBA Code in EU/EEA Member States. The EU Regulation introduced a 70% fee cap for the statutory auditor or the audit firm for non-audit services relative to audit fees for PIE audits and we are of the view that such clear and enforceable rules are crucial to ensure consistent application. In contrast, the proposed changes to the Code do not provide any requirements or guidance on what is considered to be a "large proportion of fees". This will lead to inconsistencies in how this provision is applied and challenges for regulators when enforcing compliance with the Code.	The definition of PIE and listed entity will be considered under the PIE project.
2	IAASA	IFIAR Member	Proportion of fees	We understand that the scope of the Code is different from the EU Regulation, including the fees charged by the network firms, but not taking into account, for non-listed PIEs, the fees charged to the audit client's parent undertaking. In fact, in the EU regulation this calculation is performed at the level of the audit firm or the statutory auditor in relation to its audit client and we believe that it is the right level to address the self-interest threat in order to set a threshold beyond which the provision of NAS is not allowed. We invite the Board to reconsider ED paragraph 410.10.A1 to clarify the scope and consequences of the evaluation.	In developing this proposal, the IESBA considered both including a threshold as a cap and as a trigger for the re-evaluation of threats. Based on feedback received, including 4 global roundtables, the IESBA concluded that a fee cap would not be appropriate in a global Code. IESBA also considered the impact of the NAS revisions, that would significantly reduce the provision of NAS to PIEs, as well as practical considerations that recognized that "the calculation of the exact ratio of fees for services other than audit to the audit fee could be a complex task".
3	IAASA	IFIAR Member	Network Fees	ED paragraph R410.17 applies to audit clients that are PIEs and pursues the same goal as article 4 (3) of the EU Regulation N°537/2014, as both require that no more than 15% of total fees should be received from a single client. However, there are some differences that could raise difficulties in application of the proposals in Europe and could lead to confusion for auditors when deciding which provisions should be applied. Differences: The reference period is different, two years for the Code and three years for the EU Regulation. The scope of the Code is broader than the EU Regulation as the definitions of audit client and/or firm in the Code include their related entities, whereas the provision of the Audit regulation for the calculation of the threshold only applies to the PIE itself and the statutory auditor or the audit firm. This could lead to situations where the 15% threshold would be exceeded based on one calculation's scope but not the other and vice versa. In the Code, the firm is required to determine whether an engagement quality review could be a safeguard to reduce the threats to an acceptable level, whereas, in the EU Regulation, the audit committee has also to evaluate that safeguard. The Code requires only one potential safeguard, being the engagement quality review, whereas the EU Regulation provides for a range of safeguards to be applied. Auditors should be required to apply further safeguards beyond the review, where appropriate.	No changes were made to the provisions now in para. 410.11 A1 of final provisions.
4	IAASA	IFIAR Member	Fee dependency for PIE audit clients	ED paragraphs R.410.20 and R.410.24 (c) are not applicable in the EU context as, even in exceptional circumstances, the EU rules do not permit authorisation for an audit firm to continue as an auditor after 5 consecutive years if the total fees received each year from a PIE audit client exceed 15% of the total fees received by the firm.	The IESBA notes that the provisions on fee dependency for PIE clients do not change the provisions in the extant Code (already requires firms to take action from the second year of the engagement in the case of fee dependency from a PIE client). They also note that during fact finding activities, no issues were identified where this provision would not be appropriate. Regarding the role of TCWG, the IESBA notes that the extant Code already included a requirement for the firm to discuss the matter of fee dependency with TCWG of a PIE audit client, this requirement is now under the new section on communications with TCWG (para. R410.28) Regarding additional safeguards, the IESBA considered that there are no other safeguards available, therefore, if the firm concludes that this safeguard is not appropriate, then they cannot accept the engagement.
5	IAASA	IFIAR Member	Fee dependency for PIE audit clients		Noted - Extant para. 100.3 A1 states: "The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation". The IESBA included the exception in para. R410.21 (ED-R410.20) when all the conditions are met, to recognize situations where ending the engagement could cause difficulties for the client that cannot be resolved and which therefore would not be in the public interest.

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6	IAASA	IFIAR Member	Fee dependency for non-PIE audit clients	The current proposals could be further enhanced by noting in Paragraph 410.14 that, where appropriate, safeguards other than an independent review should also be applied. We request the Board to re-consider the 30% fee dependency limit specified in Paragraph R410.14 of the ED with regards to audit clients that are not PIEs, as this represents a significant proportion of a firm's income. Further, we do not consider it appropriate that a firm may continue to provide audit services on an indefinite basis where there are significant fee dependency issues, as would appear to be permitted by Paragraph R410.15.	Para. R410.15 retained the 5-year period and 30% fee dependency threshold for non-PIE clients. The IESBA had agreed to include the proposed threshold taking into account feedback from stakeholders. IESBA noted that the aim was to create a consistent approach for non-PIEs with the one that applies to PIEs while allowing greater latitude/scalability. The IESBA considered this would be a reasonable approach bearing in mind the nature of the threats, the special considerations relating to SMPs, the public interest, and the IESBA's intention to revisit the definition of a PIE as part of a separate project.
7	IAASA	IFIAR Member	Safeguards	We request the Board to consider the insertion of application material to clarify how a firm might deal with a situation where no appropriate safeguards are available.	The IESBA considered that there are no other safeguards available, therefore, if the firm concludes that this safeguard is not appropriate, then they cannot accept the engagement.
8	IAASA	IFIAR Member	Fee dependency - all audit clients	In addition to the possible safeguards listed in paragraph 410.13.A7 to address fee dependency, the firm could re-allocate the engagement to another partner, office or part of the firm.	No additional examples were added to the list, now in para. 410.14 A7 in the final provisions.
<b>Malaysia Audit Oversight Board, Securities Commission (Malaysia AOB)</b>					
1	Malaysia AOB	IFIAR Member	Definition of terms - applicability	The term "acceptable level" in para. R410.4 should be further defined by the IESBA. It would be beneficial to provide examples and guidance on this matter.	IESBA concluded that there is no need for further clarification since these terms have been used previously in other sections of the Code (para.120.7 A1).
2	Malaysia AOB	IFIAR Member	Consistent application - ratio of fees	The Code should define the permissible ratio of fees for services other than audit to the audit fee to ensure consistent application across audit firms (para. 410.10 A1).	In developing this proposal, the IESBA considered both including a threshold as a cap and as a trigger for the re-evaluation of threats. Based on feedback received, including 4 global roundtables, the IESBA concluded that a fee cap would not be appropriate in a global Code. IESBA also considered the impact of the NAS revisions, that would significantly reduce the provision of NAS to PIEs, as well as practical considerations that recognized that "the calculation of the exact ratio of fees for services other than audit to the audit fee could be a complex task".
3	Malaysia AOB	IFIAR Member	Fee dependency of PIEs - period of threat to independence	IESBA should consider defining a shorter period (i.e. less than 5 years) for a firm to cease to be the auditor if fee dependency continues in the case of a PIE audit client in order to mitigate threats to independence.	Para. R410.15 retains a 5 year period for non-PIEs. The IESBA believed this period is an appropriate time frame, even for a newly established firm, to address the issue of the fee dependency, recognizing broad support from most respondents and harmonizing with similar requirements in some jurisdictions.
4	Malaysia AOB	IFIAR Member	Overdue fees	A firm must obtain full payment of all overdue fees from its audit or assurance clients before a report is issued in order to safeguard the independence of the firm.	The IESBA did not prohibit overdue fees, but retained the application material stating that it is generally expected that the firm obtains payment of overdue fees before the assurance report is issued (para. 410.12 A2). In addition, R410.13 requires that when a significant part of fees are unpaid for a long time, the firm shall determine whether the overdue fees are equivalent to a loan to the client (and apply section 511) and whether to continue the engagement.
<b>United Kingdom Financial Reporting Council (UKFRC)</b>					
1	UK FRC	IFIAR Member	Overarching	We are concerned that IESBA's proposals do not go far enough to address the threats created by proportionately high levels of fees for non-audit services; to enhance the transparency of such fees for stakeholders; or to address the risk of audit fees being set at too low level to support a high quality audit. IESBA could go further in strengthening the revised requirements and related application material it is proposing.	See comments below on how certain provisions have been changed.
2	UK FRC	IFIAR Member	Threats	There should be a more explicit requirement that an audit, or other engagement for an audit client, is not accepted where the fees would give rise to unacceptable threats to independence. It should be made clearer that the ability to perform an engagement to an appropriate (high) standard should not be compromised by fees that are too low.	No changes made. The IESBA noted that under the conceptual framework, if threats are not at an acceptable level and the firm cannot address them in any other ways, the firm is already required to decline or end the engagement.
3	UK FRC	IFIAR Member	Resources	We recommend that IESBA introduce a requirement that the firm shall be satisfied and able to demonstrate that the engagement has assigned to it sufficient partners and staff with appropriate time and skill to perform the engagement in accordance with all applicable engagement and ethical standards, irrespective of the engagement fee to be charged.	The IESBA was of the view that the responsibility for assignment of appropriate resources is already addressed in the QM standards issued by IAASB, therefore no additional guidance or requirements were added in the Code.
4	UK FRC	IFIAR Member	Proportion of fees	With regard to the proportion of fees other than audit, if IESBA does not want to establish a cap, there should be more emphasis on evaluating the threats where the ratio is more than 1:1. We recommend stronger guidance that when the ratio is more than 1:1 the firm give specific consideration to whether the threats to independence of the firm, or any member of its network where relevant, are at a level where independence is not compromised or, if necessary, put in place appropriate safeguards such that independence is not compromised, which may include the firm or member of its network not providing the non audit service. This would not establish a cap but would help ensure appropriate attention is given to the threats.	In developing this proposal, the IESBA considered both including a threshold as a cap and as a trigger for the re-evaluation of threats. Based on feedback received, including 4 global roundtables, the IESBA concluded that a fee cap would not be appropriate in a global Code. IESBA also considered the impact of the NAS revisions, that would significantly reduce the provision of NAS to PIEs, as well as practical considerations that recognized that "the calculation of the exact ratio of fees for services other than audit to the audit fee could be a complex task".
5	UK FRC	IFIAR Member	Fee dependency and safeguards	There should be stronger restrictions on fee dependency on a single client. There are no safeguards that can reduce the threats to an acceptable level where a firm has an ongoing fee dependency on a single client. Some relief in relation to non-PIE clients may be given for a new firm seeking to establish itself, but not exceeding two years.	Para. R410.15 retained the 5-year period and 30% fee dependency threshold for non-PIE clients. The IESBA had agreed to include the proposed threshold taking into account feedback from stakeholders. IESBA noted that the aim was to create a consistent approach for non-PIEs with the one that applies to PIEs while allowing greater latitude/scalability. The IESBA considered this would be a reasonable approach bearing in mind the nature of the threats, the special considerations relating to SMPs, the public interest, and the IESBA's intention to revisit the definition of a PIE as part of a separate project.
6	UK FRC	IFIAR Member	Contingent fees	There should be an outright prohibition on a firm and any of its network firms providing any non-assurance service to an assurance client, wholly or partly, on a contingent fee basis. Providing non- assurance services on a contingent fee basis, can give rise to a perception that the firm's interests are so closely aligned with the entity that the integrity, objectivity and independence of the firm could be, or seen to be, compromised.	Para. R410.9 prohibits charging contingent fees for an audit and para R410.10 sets the conditions prohibiting contingent fees for NAS. IESBA also noted in the BFC that the changes resulting from the NAS revisions will result in changes to the extent of permissible NAS to audit clients. Finally, even when NAS is permitted and the contingent fee is allowed, the Conceptual Framework would still apply to address any self-interest threat created (para. 410.10 A1).

#	Respondent	Group	Issue	MAIN Issues/Recommendations - Description (*)	SSB's Disposition of comment
7	UK FRC	IFIAR Member	Safeguards	We are concerned that the guidance in paragraph 410.10.A3 that a safeguard might be a review of the audit work by a reviewer who was not involved in the audit or non-audit service. Such review is unlikely to address the concerns of stakeholders, particularly when the reviewer comes from the same firm. If this guidance is retained, it needs to make clear that such an assessment should be considered from the perspective of an objective, reasonable and informed third party.	IESBA retained the safeguard and added an additional safeguard in para. 410.11 A3 (ED-410.10 A3): "Reducing the extent of services other than audit provided to the audit client."
8	UK FRC	IFIAR Member	Fee dependency for non-PIEs	We do not believe there any safeguards that can reduce the threats to an acceptable level where a firm has an ongoing fee dependency on a single client. A review by a professional accountant, with appropriate experience, who is not a member of the firm expressing the opinion on the financial statements may be an appropriate safeguard for a new firm that is seeking to establish itself, but we would still limit exceeding the threshold to a period of not more than two years.	IESBA did not make any changes to the fee dependency threshold for non-PIE clients proposed in the ED. The IESBA had agreed to include the proposed threshold taking into account feedback from stakeholders. IESBA noted that the aim was to create a consistent approach for non-PIEs with the one that applies to PIEs while allowing greater latitude/scalability. The IESBA considered this would be a reasonable approach bearing in mind the nature of the threats, the special considerations relating to SMPs, the public interest, and the IESBA's intention to revisit the definition of a PIE as part of a separate project.
9	UK FRC	IFIAR Member	Fee dependency for PIEs	The requirement in paragraph R410.17 is too weak in allowing the firm expressing an opinion on the financial statements to determine whether an engagement quality review, performed by a professional accountant who is not a member of the firm, might be a safeguard to reduce the threats to an acceptable level. If the threats are not at an acceptably low level the firm should not act as the auditor. We do not believe there are any safeguards, including a review by an external reviewer, that can reduce the threats to an acceptable level where a firm has an ongoing fee dependency on a PIE client.	Consistent with the conceptual framework, the IESBA considered a principles-based approach that requires firms to determine whether a pre-issuance review would be capable of reducing the threats to an acceptable level. If the firm determines that a preissuance review is not an appropriate safeguard, the conceptual framework would require the firm to cease to be the auditor. However, if the fee dependency continues for 5 years in case of a PIE audit client, the IESBA is of the view that there are no safeguards capable of reducing the threats to an acceptable level.
10	UK FRC	IFIAR Member	Transparency	Greater transparency is required in the auditor's report where the information is not given in the financial statements, about the nature of, and fees for, particular non-audit services. Disclosing just the total amount of fees only provides stakeholders with information that may help them understand the self-interest threat in relation to high levels of fees but no information that may help understand other threats or the nature of the relationship the auditor has with the client. IESBA should disclose information that would help stakeholders obtain an understanding of fee and service-related threats to the auditor's independence. That should be the default position with an exception only where national law or regulation prohibits disclosure. Failing that, IESBA should at least elevate paragraph 410.25.A5 to a requirement for such a discussion with the client.	The IESBA has revised the final provisions on "Public Disclosure of Fee-related Information", recognizing that the requirement to disclose publicly fee-related information already exists in many jurisdictions and is beneficial for stakeholders (410.29 A1). Also, the final text clarifies that, when local laws or regulations do not have such a disclosure, there is a requirement to discuss with TCWG of a PIE the benefits of including it and the information that might be relevant (R410.30). Para. 410.31 A1 includes guidance on additional information that might be disclosed that will enhance the users' understanding of the fees paid.  Guidance in para. 410.31 A1 ED-410.25 A5) remains as application material.
11	UK FRC	IFIAR Member	Disclosure of fees	For TCWG, the auditor should disclose the nature and related fees of all non-audit services provided by the firm and members of its network to the audited entity and its related entities. That is information that will assist TCWG form their own assessment of the threats to the auditor's independence. The requirement in paragraph R410.23 focuses only on the amount of such fees - the matters that are identified in paragraph 410.23.A 1 as "might" be communicated should also be required to be communicated unless such communication is prohibited by law or regulation. Information regarding services provided to a parent entity should also be disclosed to TCWG where relevant to understanding threats to the auditor's independence.	No changes made. Para. R410.25 (ED-R410.23) also includes a requirement to communicate information related to identified self-interest or intimidation threats created by the proportion of fees for services other than audit. Guidance in para. 410.25 A1 (ED-410.23 A1) remains as application material.
12	UK FRC	IFIAR Member	Anti-trust and anti-competition issues	We do not believe these proposals would give rise to anti-trust and anti-competition issues. We are concerned that IESBA has gone too far in seeking to avoid such issues and consequently proposed requirements that are not as robust as they should be.	As discussed in the Basis for Conclusion, IESBA has obtained legal advice which confirmed that it is unlikely that provisions might be regarded as anti-competitive under US law. Also, no significant concerns were raised by respondents of other jurisdictions.
13	UK FRC	IFIAR Member	Application	The same independence requirements should be applied to other public interest assurance engagements as are applied to audit engagements.	The Code does not recognize "public interest" assurance engagements.
14	UK FRC	IFIAR Member	Overdue fees	We would not require payment of all overdue fees as a condition of issuing an assurance engagement report. However, where the overdue fees cannot be regarded as trivial we would require the firm to consider whether it can accept or continue an engagement or whether it is necessary to resign. Our ethical standard includes a requirement to that effect. Where a firm does not resign, appropriate safeguards should be applied such as review by a partner with relevant expertise who is not involved in the engagement.	The IESBA did not prohibit overdue fees, but retained the application material stating that it is generally expected that the firm obtains payment of overdue fees before the assurance report is issued (para. 410.12 A2). In addition, R410.13 requires that when a significant part of fees are unpaid for a long time, the firm shall determine whether the overdue fees are equivalent to a loan to the client (and apply section 511) and whether to continue the engagement.
<b>Committee of European Auditing Oversight Bodies (CEOAB)</b>					
1	CEAOB	CEAOB	Definition of PIEs	It is important to ensure that the concepts used in the Code are consistent or at least compatible with those used in the European context in order to facilitate application of the IESBA Code in EU/EEA Member States.	The definition of PIE and listed entity will be considered under the PIE project.
2	CEAOB	CEAOB	Proportion of fees	The EU Regulation introduced a 70% fee cap for the statutory auditor or the audit firm for non-audit services relative to audit fees for PIE audits and we are of the view that such clear and enforceable rules are crucial to ensure consistent application. In contrast, the proposed changes to the Code do not provide any requirements or guidance on what is considered to be a "large proportion of fees". This will lead to inconsistencies in how this provision is applied and challenges for regulators when enforcing compliance with the Code. We understand that the scope of the Code is different from the EU Regulation, including the fees charged by the network firms, but not taking into account, for non-listed PIEs, the fees charged to the audit client's parent undertaking. In fact, in the EU regulation this calculation is performed at the level of the audit firm or the statutory auditor in relation to its audit client and we believe that it is the right level to address the self-interest threat in order to set a threshold beyond which the provision of NAS is not allowed. We invite the Board to reconsider ED paragraph 410.10.A1 to clarify the scope and consequences of the evaluation.	In developing this proposal, the IESBA considered both including a threshold as a cap and as a trigger for the re-evaluation of threats. Based on feedback received, including 4 global roundtables, the IESBA concluded that a fee cap would not be appropriate in a global Code. IESBA also considered the impact of the NAS revisions, that would significantly reduce the provision of NAS to PIEs, as well as practical considerations that recognized that "the calculation of the exact ratio of fees for services other than audit to the audit fee could be a complex task".
3	CEAOB	CEAOB	Networks		No changes were made to the provisions now in para. 410.11 A1 of final provisions.

#	Respondent	Group	Issue	MAIN Issues/Recommendations - Description (*)	SSB's Disposition of comment
4	CEAOB	CEAOB	Fee dependency	ED paragraph R410.17 applies to audit clients that are PIEs and pursues the same goal as article 4 (3) of the EU Regulation N°537/2014, as both require that no more than 15% of total fees should be received from a single client. However, there are some differences that could raise difficulties in application of the proposals in Europe and could lead to confusion for auditors when deciding which provisions should be applied. Differences: The reference period is different, two years for the Code and three years for the EU Regulation. The scope of the Code is broader than the EU Regulation as the definitions of audit client and/or firm in the Code include their related entities, whereas the provision of the Audit regulation for the calculation of the threshold only applies to the PIE itself and the statutory auditor or the audit firm. This could lead to situations where the 15% threshold would be exceeded based on one calculation's scope but not the other and vice versa. In the Code, the firm is required to determine whether an engagement quality review could be a safeguard to reduce the threats to an acceptable level, whereas, in the EU Regulation, the audit committee has also to evaluate that safeguard. The Code requires only one potential safeguard, being the engagement quality review, whereas the EU Regulation provides for a range of safeguards to be applied. Auditors should be required to apply further safeguards beyond the review, where appropriate.	The IESBA notes that the provisions fee dependency for PIE clients do not change the provisions in the extant Code (already requires firms to take action from the second year of the engagement in the case of fee dependency from a PIE client). They also note that during fact finding activities, no issues were identified where this provision would not be appropriate. Regarding the role of TCWG, the IESBA notes that the extant Code already included a requirement for the firm to discuss the matter of fee dependency with TCWG of a PIE audit client, this requirement is now under the new section on communications with TCWG (para. R410.28) Regarding additional safeguards, the IESBA considered that there are no other safeguards available, therefore, if the firm concludes that this safeguard is not appropriate, then they cannot accept the engagement.
5	CEAOB	CEAOB	Fee dependency for PIE audit clients	ED paragraphs R.410.20 and R.410.24 (c) are not applicable in the EU context as, even in exceptional circumstances, the EU rules do not permit authorisation for an audit firm to continue as an auditor after 5 consecutive years if the total fees received each year from a PIE audit client exceed 15% of the total fees received by the firm.	Noted - Extant para. 100.3 A1 states: "The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation". The IESBA included the exception in para. R410.21 (ED-R410.20) when all the conditions are met, to recognize situations where ending the engagement could cause difficulties for the client that cannot be resolved and which therefore would not be in the public interest.

(\*) The issues included in the table are a selection by PIOB Staff of public interest comments and recommendations raised by respondents to the public consultation. They may not include all the issues raised by these respondents. The full set and text of comment letters is publicly available in the relevant SSBs website.