

Meeting: IESBA
Meeting Location: Athens, Greece
Meeting Date: June 18-20, 2018

Agenda Item 3

Fees

Objectives of Agenda Item

1. To consider the report of the IESBA Fees Working Group (WG) on its fact-finding activities aimed at identifying whether there is a relationship between fees and threats to compliance with the fundamental principles or to independence, or whether there are reasonable perceptions that such threats exist, as well as how such threats might be addressed.
2. To exchange views about the WG's recommended way forward and agree next steps.

Working Group

3. The WG comprises:
 - Ian McPhee, Chair, IESBA Member
 - Michael Ashley, IESBA Member
 - Caroline Lee, IESBA Member
 - Alden Leung, IESBA Member

Background

4. The IESBA established the WG in July 2015 to initiate fact finding on fee-related matters in various jurisdictions. At its March 2016 meeting, the IESBA:
 - (a) Approved the WG's Terms of Reference; and
 - (b) Agreed the scope and focus of, and approach to, the WG's fact finding.
5. The Terms of Reference state that the WG's objectives are to undertake a series of fact finding activities regarding fees. These fact finding activities were to focus on the following four areas:
 - Level of audit fees for individual audit engagements.
 - Relative size of fees to the partner, office or the firm, and the extent to which partners' remuneration is dependent upon fees from a particular client
 - The ratio of non-audit services fees to audit fees paid by an audit client.
 - The provision of audit services by a firm that also has a significant non-audit services business.
6. The WG's fact finding activities included:
 - (a) An overview of the relevant fee provisions in a number of the G-20 jurisdictions;

- (b) A review of relevant academic research and other literature; and
 - (c) Outreach to stakeholders to obtain their perspectives about fee-related matters.
7. The IESBA commissioned an academic, Prof. David Hay to undertake a review of relevant academic and other literature for purposes of informing the IESBA's future actions on the topic. In December 2016, Prof. David Hay presented the Board his [final report](#) and provided his observations on the four areas of focus based on his review of the relevant academic and other literature.
 8. Also in December 2016, the WG presented a review of relevant fee-related laws and regulations in a number of G20 jurisdictions, focusing on the national requirements that are more stringent than the provisions of the Code.
 9. The IESBA agreed to the use of a questionnaire to gather further views from stakeholders with respect to the fee-related matters being explored by the WG. In November 2017, the questionnaire was published and distributed to stakeholders, with a response period until March 1, 2018. Responses were received from [73 respondents](#) representing a diverse group of stakeholders from many jurisdictions. In March 2018, the WG presented the IESBA a high level overview of the early responses received.

Activities since last IESBA Discussion

10. The WG held a two-day meeting in April 2018 and a conference call in May 2018 to develop its final report for this Board meeting.
11. In May 2018, at the IESBA-National Standard Setters Meeting (NSS) in Vienna, participants were presented an update on the WG's findings and tentative recommended way forward on the various areas. Highlights of the discussion are included in Agenda Item 1-F.

Material Presented

Agenda Item 3-A Report of the Fees Working Group

Action Requested

12. IESBA members are asked for views on the WG's findings and recommended way forward in relation to:
 - Each of the areas of focus; and
 - The fee-related safeguards in the Code.
13. In the light of the Board discussion, IESBA members are asked for views on the merits of launching a standard-setting project(s) on fees.