

Fees – Briefing Paper

Purpose of This Paper

1. The purpose of this paper is to provide an update to the IESBA on the work of the Fees Working Group with respect to its fact finding activities. The information in this paper is divided into the following sections:
 - Background and introduction
 - Overview of fee provisions in the Code
 - Analysis of the summary of academic research
 - Overview of fee provisions in G-20 jurisdictions
 - Stakeholder outreach
 - Next steps

Background and Introduction

2. As noted in its [Strategy and Work Plan 2014-2018](#), the IESBA is committed to undertake work aimed at further understanding a number of fee-related matters in response to feedback from regulatory bodies such as the International Organization of Securities Commissions (IOSCO) and the changing global environment.¹

¹ In [May 2013](#), in response to an IESBA's *Strategy Review Survey 2014-2016*, IOSCO made the following comments regarding the topic of fees:

"The safeguards for fee dependency do not appear to be commensurate with the potential threats to independence that the Code seeks to prevent. In particular, the Code should:

- (a) Outline circumstances where the auditor is required to decline an engagement as a safeguard to eliminate any self-interest or intimidation threat that may arise from significant fee dependency. Paragraphs 290.221 to 290.223 do not require an auditor to decline an engagement;
- (b) Require an external review from the outset, not just in the second or subsequent year audits. The requirement for an Engagement Quality Control Review to be performed on a listed engagement prior to the issuance of an audit opinion is an existing requirement of the auditing standards and does not provide any additional safeguard against fee dependency for public interest entities;
- (c) Require pre-issuance reviews in all instances as post-issuance reviews are a detective measure rather than a preventative measure; and
- (d) Include quantitative guidance as to the level of acceptable fees for non-public interest entities.

In addition, the level of non-audit services provided to audit clients may threaten independence but this is not considered in the Code. The Code should include guidance in relation to when the quantum of non-audit services may threaten independence."

In [March 2014](#), in response to the IESBA's Consultation Paper: [Proposed Strategy and Work Plan 2014-2018](#), IOSCO made the following comment regarding undue fee pressure:

"We believe Section 240 of the Code (namely, Fees and Other Types of Remuneration) does not adequately address the threats and safeguards regarding setting audit fees for the engagement and the potential effect of the fee level on the quality of the audit. Audit firms competing for an audit engagement by using low fees in an attempt to obtain the audit client can have a negative impact on audit quality if that fee level translates into inadequate audit work. As such, the Board should determine the most effective manner for the Code to address the threats and safeguards associated with the negative incentives to carry out inadequate audit procedures as a result of audit fee pressures."

3. In finalizing its April 2015 pronouncement, [Changes to the Code Addressing Certain Non-Assurance Services Provisions for Audit and Assurance Clients](#), the Public Interest Oversight Board (PIOB) asked that the IESBA revisit issues on auditor independence and “non-audit services”² more broadly, including fee-related matters. In response, the IESBA decided to bring forward its fees-related initiative, which was planned to commence in 2017. As a result, the IESBA:
 - Established its Fees Working Group (WG) in July 2015.
 - Commissioned an IESBA Staff publication, [Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure](#) that was released in January 2016, as a first step in addressing the topic.
 - Approved at its March 2016 meeting the terms of reference for the WG setting out the scope, focus and approach of its fact finding activities.
4. The final recommendations of the WG, which will be based on the results of the fact finding activities, will inform the IESBA about whether there is a need for further enhancements to the fee provisions in the Code; or whether there is a need for other actions, e.g., commissioning additional staff publications to provide further guidance on the topic of fees.

WG Objectives and Areas of Focus Areas

5. The terms of reference for the IESBA’s fees initiative note that the WG’s objectives are to undertake a series of fact finding activities regarding fees in various jurisdictions with a view to 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.
6. The terms of reference also note that the fact finding activities will be focused 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.

Non-audit Versus Non-assurance Services

7. Consistent with the terminology used by IOSCO and the PIOB to describe fee-related matters, the term “non-audit services” was used in the terms of reference as well as the scope for the summary of academic research set out in Appendix 1 to this paper.
8. The WG notes that the terms “non-audit services” and “non-assurance services” are not defined terms in the Code and the use of the term “non-audit services” in the Code is limited.³ In contrast, the term

² See paragraphs under the subsection titled “Non-audit versus Non-assurance Services”.

³ The term “non-audit service” appears in paragraphs 290.110, 290.111 of the extant Code; in paragraphs 225.44-225.46 of the NOCLAR pronouncement; and in paragraphs R360.31–R360.33 and R510.7 of the proposed restructured Code.

“non-assurance services” is used throughout the Code when referring to engagements that do not meet the definition of assurance engagements.⁴

9. The WG members had preliminary discussions about the impact that the use of each term might have on the scope of the fees initiative, and on the WG’s remit more broadly. For the purpose of forming conclusions about its fact finding activities, the WG has agreed that the term “non-assurance services” will be used except when referring to the codes, rules or regulations of others. The WG agreed to this approach in order to be consistent with terminology that is more pervasive in the Code. The WG observed that some jurisdictions, (e.g., the UK) use the term “non-audit services” to cover any service that does not form part of the audit engagement (i.e., both non-assurance and assurance services other than an audit).

Approach to Fact Finding

10. The WG’s fact finding comprises:
 - A review of relevant academic research;
 - An overview of the relevant fee provisions in the codes of the G-20 jurisdiction (G-20 benchmarking); and
 - Direct interactions with stakeholders to obtain their perspectives about fee-related matters (stakeholder outreach).
11. The IESBA commissioned Prof. David Hay, Professor of Auditing, University of Auckland, New Zealand to undertake a review of the relevant academic and other literature on the topic of fees (summary of academic research). Appendix 1 to this paper is the scope of work and agreed deliverables for this summary of academic research. The final report of the [summary of academic research](#) and the G20 benchmarking survey were presented at the December 2016 IESBA meeting.
12. The WG anticipates the stakeholder outreach will help it to further understand the nexus between fees and threats to compliance with the fundamental principles or to independence. The WG plans to commence its stakeholder outreach shortly after the March 2017 IESBA meeting.

Overview of Fee Provisions in the Code

13. As highlighted in the January 2016 IESBA Staff publication mentioned in paragraph 3 of this paper, the extant Code contains provisions that assist professional accountants address the threats to compliance with the fundamental principles or to independence that might be created by undue fee pressure. For example, extant Section 240 states that “a self-interest threat to professional competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.”⁵
14. The extant Code also includes provisions relating to the topic of fees in the context of audit and

⁴ The Code defines an “assurance engagement” as an engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

The Code also includes a definition for “audit engagement,” which is a reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.

⁵ Extant Part B, Professional Accountants in Public Practice, Section 240, *Fees and Other Types of Remuneration*, paragraph 240.1.

assurance engagements in Sections 290⁶ and 291.⁷ For example, extant Section 290 includes disclosure requirements for firms and examples of safeguards for situations in which the audit client is a public interest entity (PIE), and the fees received is greater than 15% of the firm's total fees for two consecutive years.⁸

15. The Safeguards project resulted in changes to some of the fee provisions in the extant Code (see [Safeguards ED-2](#)).⁹ The WG plans to review the relevant fee provisions impacted by the Safeguards project and liaise with the Safeguards Task Force as needed to determine whether the [proposed restructured Code](#) is sufficient to address the fee-related matters identified by the WG.

Analysis of the Summary of Academic Research

16. The scope of Prof. Hay's work was limited to a review of existing studies on audit fees between 2006 and 2016 and did not include any quantitative meta-analysis of those studies or examination of primary data. It also did not focus on causal effects but rather was an analysis around correlations of different elements. Further, it did not consider any inspection reports from regulators.
17. In his final report presented to IESBA during its December 2016 meeting, Prof. Hay summarized his findings as follows:

"The potential risks include...auditors reducing fees to attract audit engagements; auditors being dependent on audit fees; auditors providing non-audit services to their audit clients and audit firms that provide extensive non-audit services. Most research studies do not find substantial concerns in these areas. There are a few recent studies which show some concerns, however. There is consistent evidence that audit fees for new engagements are lower and that non-audit services affect independence in appearance...

There is a mixture of risks to auditor independence that are confirmed by the research evidence; risks that are not confirmed; and risks where evidence is mixed. There is no evidence of auditors using the audit as a loss-leader to obtain more lucrative consulting work. There are few signs of audit fees being too low to be able to conduct an adequate audit.

Nevertheless, there is evidence of some issues of concern, including non-audit services associated with indications of reduced independence; and non-audit services leading to reduced independence in appearance...

In general, audit fee research does not convey a message that there are widespread ethical problems. Nevertheless, there are some risk areas."¹⁰

18. With regard to each of the four areas of focus, Prof. Hay's observations are summarized in the following table.

Focus Area 1: Level of audit fees for individual audit engagements	
<i>Ethical issue 1</i>	Low fees could impair professional competency and due care.

⁶ Extant Part B, Section 290, *Independence – Audit and Review Engagements*

⁷ Extant Part B, Section 291, *Independence – Other Assurance Engagements*

⁸ Extant paragraph 290.217

⁹ For instance, Safeguards ED-2 includes proposed conforming amendments arising from the Safeguards project to certain restructured fee provisions.

¹⁰ See Agenda 6-A of the December 2016 IESBA meeting materials titled, *Fees – December 2016 Summary of Research Briefing Paper*, pages 1, 7-8.

<i>Research findings</i>	Audit fees increased in the early part of the twenty-first century; some evidence in some circumstances shows associations between low fees and low quality.
<i>Ethical issue 2</i>	Lowballing (professional competency and due care).
<i>Researching findings</i>	Fees are lower after a change of auditor. Mixed results on whether quality is lower.
Focus Area 2: Relative size of fees to the partner, office or firm and the extent to which partner remuneration is dependent upon fees from a particular client	
<i>Ethical issue</i>	Dependence
<i>Researching findings</i>	Evidence generally that auditor independence is not reduced when there are high relative fees; but there is also some opposing evidence.
Focus Area 3: Ratio of non-audit services fees to audit fees	
<i>Ethical issue</i>	Objectivity including independence of mind and independence in appearance.
<i>Researching findings</i>	Numerous studies find evidence of loss of independence in appearance. There is some evidence in some circumstances of reduced independence of mind.
Focus Area 4: Provision of audit services by a firm that also has a significant non-audit services businesses	
<i>Ethical issue</i>	Professional competence and due care.
<i>Researching findings</i>	Some evidence but not much.

19. In particular, the WG notes Prof. Hay's observation that there has been consistent findings in academic research to suggest a link between threats to independence in appearance and higher non-audit fees charged:

“...numerous studies show that higher non-audit fees impact share price, or related measures such as earnings response coefficient... There is mixed evidence about the effect of NAS [non-audit services] on auditor independence of mind, but consistent evidence that NAS [non-audit services] reduces the appearance of independence.”¹¹

20. After due consideration, it is the WG's view that the findings of the summary of academic research are generally inconclusive. For example, the WG noted that while the findings related to Focus Area 1 in the table above seem to suggest a link between audit fees and audit quality, Prof. Hay's overall summary noted that “...there are few signs of audit fees being too low to be able to conduct an adequate audit...” Accordingly, the WG believes that more information is required to better understand the nature and extent of any fee-related issues. including loss of independence in appearance and

¹¹ See Agenda 6-A of December 2016 IESBA meeting materials, page 6.

whether and how they might impact compliance with the fundamental principles or independence.

Overview of Fee Provisions in G-20 Jurisdictions

21. A summary of the WG's key observations based on its G-20 benchmarking is provided below.

Pre-Approval of Services by Those Charged With Governance (TCWG)

22. The WG noted that Prof. Hay's findings suggest a link between threats to independence in appearance created by the level of non-audit fees charged. The WG observed that in certain jurisdictions, TCWG are required to pre-approve certain non-audit services provided by auditors.¹² The WG reflected on the March 2016 IESBA deliberations in the context of Phase 2 of the Safeguards project. The IESBA at the time, considered the need for a requirement in the Code for auditors to obtain pre-approval for the provision of certain non-assurance services to an audit client as a safeguard. The IESBA concluded at that time that standard-setting actions relating to auditor interactions with TCWG should be considered more broadly and should be coordinated with the IAASB.

Required Auditor Communication about Fees

23. The WG also noted that some jurisdictions require auditors to communicate their audit and non-assurance fees to their stakeholders. For example:
- In the US, the SEC requires issuers to publicly disclose the audit and non-audit services fees charged by their auditors in their proxy statements.¹³
 - In the UK:
 - Auditors are required to provide audit committees of PIEs and listed entities details of non-audit or additional services provided and the fees charged.¹⁴
 - For audits of companies that are not small or medium-sized, audit and non-audit fees are required to be disclosed in the financial statements.¹⁵
24. During the December 2016 IESBA meeting, it was suggested that the Code should be aligned with the relevant requirements set out in the IAASB's standards relating to required auditor communications with TCWG about fees for audits of listed entities. Amongst other matters, the IAASB's International Standard on Auditing (ISA) 260¹⁶ requires auditors to communicate with TCWG "...all relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence," including total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. As part of this communication,

¹² For example:

- In the UK, the Revised Ethical Standards 2016 (para. 5.170R) states that "the provision of permitted non-audit services to a client that is a PIE by its audit firm must be approved by the client's audit committee."
- In the US, the Securities and Exchange Commission (SEC) Rule 17 CFR 210.2-01(c)(7)(i) require audit committees to pre-approve all audit and non-audit services.

¹³ See SEC Rule [17 CFR 240.14a-101 Schedule 14A](#). Also, [PCAOB Rules](#) 3524 and 3525 require audit committees of listed entities to pre-approve certain tax services and non-audit services relating to internal control over financial reporting.

¹⁴ Revised Ethical Standard 2016 (UK), para. 1.66

¹⁵ See the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, SI2008/489, Reg 5.

¹⁶ ISA 260, *Communicating With Those Charged With Governance*

ISA 260 requires that the fees be allocated to categories that are appropriate to assist TCWG in assessing the effect of services on the independence of the auditor.¹⁷

25. Relevant to the IESBA's consideration of whether to include the above referenced ISA 260 requirements in the Code is a broader question about whether the Code should repeat all relevant material that is in the ISAs. It is important that the IESBA be consistent in its approach. In addition, with regard to independence, the Code generally applies the same requirements to both audits and reviews. Accordingly, if those requirements are included in the Code, consideration will need to also be given to their applicability for review engagements.

Fee Cap for Provision of NAS to Audit Clients

26. The WG observed that the EU has introduced a fee cap that limits the amount of permissible non-audit services that can be provided by a statutory auditor or audit firm in a financial year as part of its regulatory reform concerning the EU statutory audit.
27. This new EU regulation provides that the fees for permissible non-audit services provided to an audited PIE must not be over 70% of the average total audit fees charged by the statutory auditor or audit firm over the previous three years.¹⁸

Stakeholder Outreach

28. As mentioned earlier in this paper, the WG plans to engage with key stakeholders, in particular investors, regulators and audit oversight bodies, firms and the corporate governance community to obtain an understanding of their perspectives on the fee-related matters. It is anticipated that the responses from these stakeholders will assist the WG conclude on further actions that might be appropriate to respond to the concerns raised with respect to fees.
29. In order to identify appropriate individuals and organizations to be contacted, and to develop appropriate questions to ask, the WG is seeking input from IESBA members during the March 2017 IESBA meeting. The WG believes that IESBA's input in developing an approach for this final stage of the fact finding work will enhance the quality of the outcome of such work.
30. The following is a list of questions that the WG is planning to ask of each stakeholder group.¹⁹ Appendix 2 includes a list of the specific individuals and organizations that the WG has identified to-date as potential targets for its stakeholder outreach. The input from the IESBA will be used to develop questionnaires that will be circulated to each stakeholder group.

(a) Firms	
Stakeholders	FoF, SMPC ²⁰
Questions	<p>Some regulators and audit oversight bodies have expressed concerns about threats to auditor independence as a result of the level of fees charged by auditors as well as the impact on audit quality due to fee pressure.</p> <p>(i) Does your firm have policies and procedures in place to monitor and address threats to compliance with the fundamental principles (in particular objectivity and</p>

¹⁷ See ISA 260, paragraphs 17 (a)(i) and (ii).

¹⁸ See Article 4(2) of the [EU Audit Regulation](#) No. 537/2014.

¹⁹ The final questionnaires will include a description of key terms such as "independence" and "level of fees charged."

²⁰ IESBA staff will liaise with IFAC staff for FoF and SMPC to facilitate dissemination of the survey to the relevant firms.

	<p>professional competence and due care) or independence created by the level of fees charged for of audit or non-assurance services? If so, please describe them.</p> <p>(ii) Does your firm monitor a partner's remuneration to determine whether there is reliance on fees from one or more audit clients that might impact the partner's independence or objectivity? If so, please explain how the firm determines whether such reliance exists, and how it is addressed by the firm.</p> <p>(iii) Does your firm monitor client revenues by office to determine whether there is reliance on fees from one or more audit clients that might impact the independence or objectivity of the partners in the office? If so, please explain how the firm determines whether such reliance exists and how it is addressed.</p> <p>(iv) Does your firm have policies and procedures in place to address public perceptions that independence or objectivity might be compromised as a result of the level of fees charged to an audit client for audit or non-assurance services? If so, please describe them.</p>
(b) TCWG	
Stakeholders	AICD, HKID, IBRACON, NACD, TN
Questions	<p>Some regulators and audit oversight bodies have expressed concerns about threats to independence as a result of the level of fees charged by auditors as well as the impact on audit quality due to fee pressure.</p> <p>(i) Has your company ever had any concerns about its auditor's independence or its ability to comply with the fundamental principles (in particular, objectivity and professional competence and due care) because of the level of fees charged for the audit or the provision of non-assurance services? If so, please explain.</p> <p>(ii) Has your company identified any other issues relating to the level of fees charged by your auditor that might create threats to audit quality? Does your company have any policies and procedures in place to identify and mitigate these threats? If so, please describe them.</p> <p>(iii) Does your company require those charged with governance, e.g., audit committee members to pre-approve non-assurance services provided by your auditor? If so, please explain the process.</p>
(c) Audit oversight bodies and regulators	
Stakeholders	BCBS, CEAOB, CPAB, MEA, EBA, AuFRC, UKFRC, IRBA, IAIS, IFIAR, IOSCO, PCAOB, MAOB, SEC, WB
Questions	<p>Some regulators and audit oversight bodies have expressed concerns about threats to independence as a result of the level of fees charged by auditors as well as the impact on audit quality due to fee pressure.</p> <p>(i) Has your organization identified from inspections, disciplinary investigations or other means, any fee-related matters that might create threats to compliance with the fundamental principles or independence? If so, please describe and provide any evidence obtained to support them.</p>

	<p>(ii) Does your organization have any other ethical concerns in relation to audit or non-assurance services fees charged by auditors? If so, please describe them and the basis for such concerns.</p> <p>(iii) Please describe the regulatory requirements that are applicable in your jurisdiction that in your view might address the regulatory concerns raised about the level of fees charged for audits or for providing non-assurance services to clients.</p> <p>(iv) Do you have any current or proposed initiatives to address existing or emerging concerns that have been raised about ethical issues that might arise as a result of the level of fees charged for audits or for providing non-assurance services?</p>
(d) National Standard Setters (NSS)	
Stakeholders	APESB, AICPA, CPA Canada, CICPA, H3C, HKICPA, ICAI, JICPA, MIA, NASBA, NBA, NZAASB, SAICA, WPK
Questions	<p>(i) Has your organization identified from audit inspections, disciplinary investigations or other means, any fee-related matters that might create threats to auditor independence or other ethical standards? If so, please describe the issues and any evidence obtained to support them.</p> <p>(ii) Does your organization have any other ethical concerns in relation to audit or non-assurance service fees charged by auditors? If so, please describe them and the basis for such concerns.</p> <p>(iii) Has the national audit oversight body or regulator in your jurisdiction raised concerns about the level of fees for audits or non-assurance services giving rise to ethical concerns or threats to compliance with the fundamental principles or independence? If so, please describe them and the basis for such concerns.</p> <p>(iv) In addition to the requirements set forth in the IESBA Code, what other codes, rules or regulations do professional accountants have to comply with when setting fees for audits and non-assurance services in your jurisdiction? Please refer to the relevant code, rule or regulation, if any, in your response.</p> <p>(v) Are you aware of any likely legal challenges (e.g., anti-competition laws) that might affect standard-setting relating to fees in your jurisdiction?</p> <p>(vi) Do you have any current or proposed initiatives to address existing or emerging concerns that have been raised about ethical issues that might arise as a result of the level of fees charged for providing audits or non-assurance services?</p>
(e) Investors	
Stakeholders	BR, CFA, EUMEDION, ICGN, IA
Questions	<p>(i) Do you have any concerns about threats to independence that might be created by the level of fees charged by a company's external auditor for audit or for providing non-assurance services? If so, please describe them, and the basis for such concerns.</p> <p>(ii) If you answered "yes" to (i), what actions, if any, should be taken to address the threats (including any threats to the appearance of independence) created by the level of audit or non-assurance fees charged by a company's external auditor?</p>

Next Steps

31. Subject to the IESBA's input, the WG intends to develop and distribute the questionnaires to the identified stakeholders for their input shortly after the March 2017 IESBA meeting. It is important that the stakeholders are allowed sufficient time to reflect and respond to the questions. In this regard, IESBA Staff has been advised that for certain stakeholders, given the nature of the topic, a timeframe of six to eight weeks might be required to respond because it might be necessary for them to obtain the advice of legal counsel in order to respond to the questions. The WG anticipates that follow-up discussions might also be required.
32. Upon a full review and analysis of the stakeholder responses and other information available, the WG will formulate its views and make its recommendations to the IESBA about the next steps.

Matters for IESBA Consideration

1. IESBA members are asked to share their views about:
 - (a) The WG's fact finding completed to-date and its observations.
 - (b) The list of stakeholders in Appendix 2 and the questions to be asked of each stakeholder group.
2. IESBA members are asked for views about possible next steps, or other actions, if any, that the WG should take to obtain an understanding of whether there is a relationship between fees charged and threats to compliance with the fundamental principles or to independence.

IESBA Fees Initiative—Scope of Work for Summary of Academic Research [April 2016]

Background and Objective

The International Ethics Standards Board for Accountants (IESBA) has established a Working Group (WG) to explore a number of matters related to audit fees charged by firms with a view to determining whether there is a need for further enhancements to the IESBA *Code of Ethics for Professional Accountants* (the Code), or the commissioning of further staff guidance.

The objective of the WG is to undertake fact finding about fees charged by firms in various jurisdictions to identify whether there are trends or other factors that indicate a relationship between fees and threats to auditor independence and compliance with the Code's fundamental principles, or whether there are reasonable perceptions that such threats exist, and how they might be addressed. The WG's activities will be informed by research to be performed by an academic, to be started in April/May 2016. The table below sets out the relevant project specifications, including outputs and deadlines.

Overview	Project Details	Deadlines/ Milestones	Cost
Compilation and summary of academic research on fees	<p>Outputs</p> <p><i>Listing of Research</i></p> <ol style="list-style-type: none"> 1. A listing of research papers and other relevant publications relating to fee-related matters in various jurisdictions (preferably in excel). 2. This listing will also be made available categorized by significant themes identified. 3. The listing will include the title of the paper or publication, authors, reference, abstract, and web link if applicable. It will also include a summary of empirical findings related to whether there are trends or other factors that indicate a relationship between fees and threats to auditor independence and compliance with the fundamental principles, or whether there are reasonable perceptions that such threats exist. 4. The listing will also include the findings in regulatory inspection reports and other publicly available and relevant information. 5. The time period to be covered is January 1, 2006–current. <p><i>Progress Report</i></p>	<ol style="list-style-type: none"> 1. June 2, 2016 (Deliver an initial list and progress update to IESBA representative) 2. July 11, 2016 (Deliver final list of research) 3. September 7, 2016 (Deliver initial draft paper and Power Point Slides (if applicable) with summary of significant observations and conclusions) 4. October 5, 2016 (IESBA representative to provide input to academic on draft paper and Power Point Slides (if applicable)) 5. November 7, 2016 (Deliver final Paper and Power Point slides (if applicable) to be circulated for the December 2016 IESBA Meeting. 6. November 7, 2016 (If applicable, provide a project proposal including 	US \$xx

	<p>6. Update and preliminary findings from the review to be made available for the September 2016 IESBA meeting.</p> <p><i>Summary of Significant Observations and Conclusions</i></p> <p>7. A summary of the significant observations and conclusions drawn from the review. This summary will be made publicly available and will be presented to the IESBA, by way of a 30-40 minute presentation at its December 2016 meeting.</p> <p>8. It is envisioned that the summary will be a brief “easy to digest” white paper (5-8 pages). PowerPoint slides and any other visual aids may be used for purposes of the IESBA presentation.</p> <p><i>Project Proposal</i></p> <p>9. Subject to IESBA consideration of the way forward, provide a project proposal including a cost estimate, timeline and preliminary outline if possible for the development of either a:</p> <ul style="list-style-type: none"> (i) More in-depth analysis of existing research; or (ii) The development of new original research <p>aimed at further understanding specific areas or issues.</p> <p>Areas of Focus</p> <p>10. The areas of focus will include:</p> <ul style="list-style-type: none"> • Level of audit fees for individual audit engagements. • Relative size of fees to the partner, office or the firm, and the extent to which partner(s) 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. <p>11. An understanding of the perspectives of stakeholders (in particular, audit firms,</p>	<p>a cost estimate, timeline and preliminary outline.)</p> <p>7. TBD day during the week of December 12, 2016 (Deliver presentation to the IESBA)</p>	
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	<p>investors, preparers, those charged with governance, and regulators and audit oversight bodies) on the topic is relevant to the project.</p> <p>12. Also, it is relevant to understand what specific processes or activities have been established and implemented by firms (including large and small- and medium-sized firms) to address “fee-specific” threats to auditor independence and compliance with the fundamental principles.</p> <p>Key Words</p> <p>13. The key words include: Audit fees, non-audit services, non-assurance services, threats to compliance with the fundamental principles, independence, auditor independence, objectivity, audit quality, professional competence and due care, fee dependency, intimidation threats, self-interest threats, partner remuneration, audit client, public interest, and firm business model.</p>		
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Appendix 2

Fees Stakeholder Outreach – List of Potential Stakeholders by Category Group²¹

Stakeholder	Abbrev.	Region
Firms		
Forum of Firms ²²	FoF	Int'l
IFAC Small and Medium Practice Committee	SMPC	Int'l
Those Charged with Governance (TCWG)		
Australian Institute of Company Directors	AICD	AP
Hong Kong Institute of Directors	HKID	AP
Instituto dos Auditores Independentes do Brasil	IBRACON	SA
National Association of Corporate Directors –US	NACD	NA
Tapestry Network	TN	NA
Audit Oversight Bodies and Regulators		
Basel Committee on Banking Supervision	BCBS	Int'l
Canadian Public Accountancy Board	CPAB	NA
Committee of European Auditing Oversight Bodies	CEAOB	EU
Dubai Financial Services Authority	MEA	MEA
European Banking Authority	EBA	EU
Financial Reporting Council - Australia	AuFRC	AP
Financial Reporting Council - United Kingdom	UKFRC	EU
Independent Regulatory Board for Auditors	IRBA	MEA
International Association of Insurance Supervisors	IAIS	Int'l
International Forum of Independent Audit Regulators	IFIAR	Int'l
International Organization of Securities Commissions	IOSCO	Int'l
U.S. Public Company Accounting Oversight Board	PCAOB	NA
Securities Commission of Malaysia - Audit Oversight Board	MAOB	AP
Securities & Exchange Commission - US	SEC	NA
The World Bank	WB	Int'l

²¹ Subject to the feedback from the IESBA, the questions in the table at paragraph 42 will be updated and converted into questionnaires for each stakeholder group category. A separate questionnaire will be distributed to each individual or organization.

²² The Forum of Firms is an association of international networks of firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

National Standard Setters (NSS)		
Australian Accounting Professional & Ethical Standards Board	APESB	AP
The American Institute of Certified Public Accountants' Auditing Standards Board	AICPA	NA
Chartered Professional Accountants of Canada	CPA Canada	NA
Chinese Institute of Certified Public Accountants	CICPA	AP
Haut Conseil du Commissariat aux Comptes	H3C	EU
Hong Kong Institute of Certified Public Accountants	HKICPA	AP
Institute of Chartered Accountants of India	ICAI	AP
Japanese Institute of Certified Public Accountant	JICPA	AP
Malaysian Institute of Accountants' Auditing and Assurance Standards Board of the	MIA	AP
National Association of State Boards of Accountancy	NASBA	NA
Nederlandse Beroepsorganisatie van Accountants	NBA	EU
New Zealand Auditing and Assurance Standards Board	NZAASB	AP
South African Institute of Chartered Accountants	SAICA	MEA
Wirtschaftsprüferkammer (Germany)	WPK	EU
Investors		
Black Rock Inc	BR	US
CFA Institute	CFA	Int'l
Eumedion (Dutch Institutional Investors)	EUMEDION	EU
International Corporate Governance Network	ICGN	Int'l
Investment Association (UK)	IA	EU