

FEES QUESTIONNAIRE

IESBA Seeks Your View about the Level of Fees Charged by Audit Firms

The level of fees charged by audit firms is considered by some stakeholders as an element that may affect auditor [independence](#) and a professional accountant's ability to comply with the [fundamental principles](#) in the [IESBA Code of Ethics for Professional Accountants](#) (the IESBA Code), particularly professional competence and due care. Auditor independence and compliance with the fundamental principles of ethics instill confidence in, and increase the credibility of, financial information, thereby contributing to audit quality.

The IESBA is keen on further understanding whether and, if so, how the level of fees charged by audit firms affect compliance with the fundamental principles and auditor independence. The IESBA seeks to understand these matters in order to determine whether and how the IESBA Code should be further enhanced to address issues relating to the level of fees charged by audit firms. In this regard, the IESBA established a Fees Working Group in 2016 to undertake this work and make recommendations by 2018. The Working Group commenced its work with commissioning [a summary of research on the topic of fees](#).

The IESBA narrowed its focus on the following in relation to the level of fees charged by audit firms:

- Downward pressure on audit fees;
- High dependence of audit fees from a client, at the firm and engagement level;
- High ratio of non-audit fees to audit fees from an audit client; and
- Non-audit fees as high percentage of the firm's revenue in relation to audit fees.

The January 2016 IESBA Staff publication, [Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure](#) responds to certain stakeholders' concerns about downward pressure on fees being a factor, potentially adversely impacting audit quality.

This Fees Questionnaire is the final phase of the Working Group's fact-finding. The Working Group invites you to share your views and perspectives on the topic by responding to the questions in Section A, *Respondent Classification*, and **one** set of the questions in Section B, *Survey Questions*, pertaining to your classification. Your responses will help shape IESBA's understanding of fee-related issues and may also inform an appropriate response. The Appendix to this Questionnaire includes contextual information about the IESBA's Fees Initiative and a list of defined terms that might be useful in responding to the questions in Section B.

Respondents are asked to submit their completed questionnaires in PDF electronically through the IESBA website, using the ["Submit a Comment"](#) link. Completed questionnaires are requested by **February 1, 2018**. Also, please note that first-time users must register to use this feature. All completed questionnaires will be considered a matter of public record and will ultimately be posted on the website. Although the IESBA prefers that the questionnaires are submitted via its website, they can also be sent to Ken Siong, IESBA Technical Director at KenSiong@ethicsboard.org.

Section A: Respondent Classification

1. In which country or jurisdiction do you work or serve? (If international, please indicate so; if a region of the world, please indicate which region.)

_____ International _____

2. Please indicate which of the following best describes your role:

Role (Please select the most appropriate category)	Relevant Survey Questions
Investors and investor representatives	B.1
Other users of financial statements (e.g., Analyst, Customer, Creditor/Supplier, Lender), please specify: _____	B.1
Those charged with governance (TCWG), including Audit Committees and Board of Directors	B.3
— Regulators and audit oversight authorities	B.4
National standard setters	B.5
Internal auditors	B.6
Accounting firms and individual professional accountants in public practice (PAPPs)	B.2
Preparers and other professional accountants in business (PAIBs)	B.6
Public sector organizations	B.6
IFAC member bodies	B.5
— Academics	B.6
<input type="checkbox"/> Other, please specify: _____	B.6

3. Would you be willing to be contacted for an interview on the topic of fees?

X->Yes

No

4. Please provide the following contact information (optional):

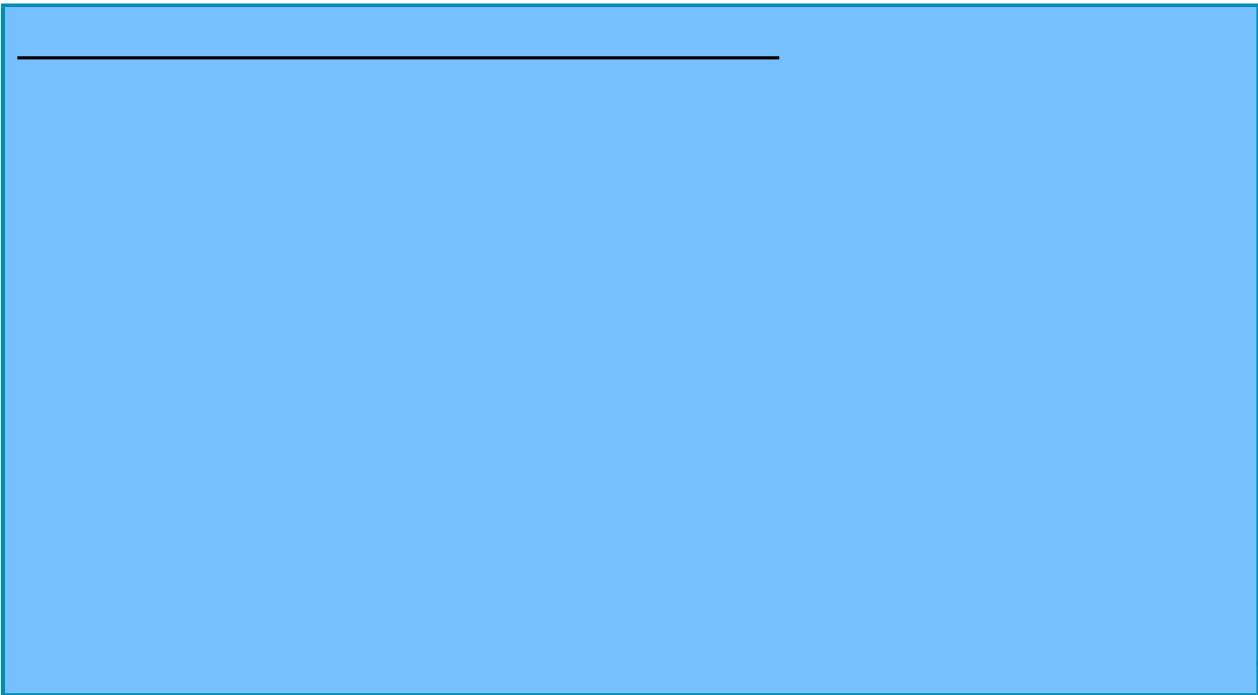
Your name and job title/role: SERVAL JF General Manager

Your email address: JF SERVAL Groupe audit.eu

Your organization's name: Constantin Groupe Audit Server & Associés

Section B: Survey Questions

Using the table in Section A as a guide, please answer the set of questions that best applies to your role.



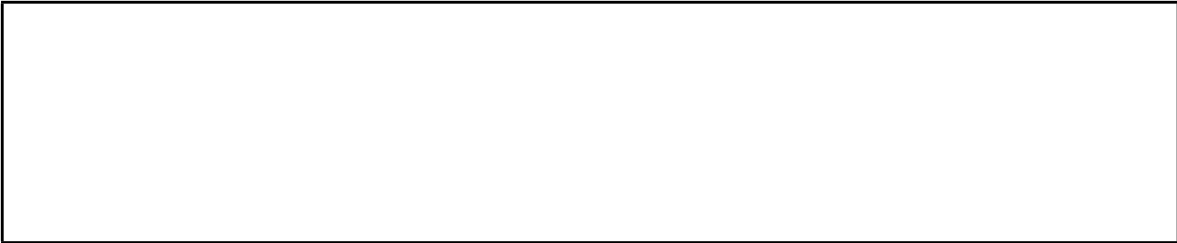
B.1. Investors and Other Users of Financial Statements

General

- 1. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.



- 2. Do you believe that the IESBA Code establishes sufficient and appropriate [provisions](#) to help professional accountants and firms deal with [threats](#) to compliance with the fundamental principles and independence that might be created by the level of fees charged? Do you believe that the IESBA Code appropriately deals with the issues you identified in Q1?



3. What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?

Non-Audit Services

4. In your opinion, would a high ratio of non-audit fees to audit fees charged to **an audit or assurance client** create threats to an auditor's compliance with (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- Independence as defined by the IESBA Code?
- None of the above.

5. In your opinion, would a professional accountant's or the firm's compliance with one of the following be impacted if a high percentage of that firm's revenue is generated from providing non-audit services to the firm's clients (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- None of the above.

B.2. Accounting Firms and Other PAPPs

General

1. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.

Yes.
It is why it looked as a % of global fees handled by both, the firm and the signatory on an assignment

2. What policies and procedures does your firm have in place to deal with threats that might be created by the level of fees charged? For example, does your firm monitor client revenues to identify possible fee-related ethical issues such as a self-interest threat created by over-reliance on fees (e.g., by office, individual engagement partners or other method)? If so, please explain.

See B2 \$1
We don't take too low fees

3. Do you believe that the IESBA Code establishes sufficient and appropriate [provisions](#) to help professional accountants and firms deal with threats to compliance with the fundamental principles and independence that might be created by the level of fees charged? Do you believe that the IESBA Code appropriately deals with the issues you identified in Q1?

Yes

4. Do you believe that there are aspects of your firm's policies and procedures described in Q2 above that are more stringent than the provisions in the IESBA Code? If so, please explain why.

No with the exception of investigation on staff that IESBA do not consider

5. What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?

To us it is a question of focusing degree. All questions are addressed by IESBA. More attention should be put on digital organization and security as well as transition to a fully digital world- d ata protection and identification of third parties

Non-Audit Services

6. As a matter of policy, does your firm provide non-audit services to audit and assurance clients?
- If yes, are there certain types of services beyond those prohibited by the IESBA Code that your firm does not provide? Please provide some examples.
 - If no, why?

No ,independence from client and qualification to provide such service and choose the best (for instance tax lawyers)

7. In your opinion, would a high ratio of non-audit fees to audit fees charged to **an audit or assurance client** create threats to an auditor’s compliance with (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- Independence as defined by the IESBA Code?
- None of the above.

8. In your opinion, would a professional accountant’s or the firm’s compliance with one of the following be impacted if a high percentage of that firm’s revenue is generated from providing non-audit services to the firm’s clients (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- None of the above.

B.3. TCWG, Including Audit Committees and Board of Directors

General

1. What role does the level of fees play in your consideration of the appointment of your organization’s independent auditor?

2. How do you determine whether an audit firm has the appropriate policies and procedures in place to ensure the quality of the independent audit for your organization is not affected by the level of fees charged?

3. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.

4. Do you believe that the IESBA Code establishes sufficient and appropriate [provisions](#) to help professional accountants and firms deal with [threats](#) to compliance with the fundamental principles and independence that might be created by the level of fees charged? Do you believe that the IESBA Code appropriately deals with the issues you identified in Q3?

5. What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?

Non-Audit Services

6. Do you engage your audit firm for any non-audit services? If yes, please describe the process used to approve the provision of such services. If no, why not?

7. In your opinion, would a high ratio of non-audit fees to audit fees charged to **an audit or assurance client** create threats to an auditor's compliance with (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- Independence as defined by the IESBA Code?
- None of the above.

8. In your opinion, would a professional accountant's or the firm's compliance with one of the following be impacted if a high percentage of that firm's revenue is generated from providing non-audit services to the firm's clients (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- None of the above.

B.4. Regulators and Audit Oversight Authorities

General

1. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.

2. Has your organization identified from inspections, disciplinary investigations or other means, any fee-related issues that might have created threats to compliance with the fundamental principles or to independence? If so, please describe the finding. For example:

- What was the nature of the issue?

- How frequently did it occur and what was the severity?
- Did the firm appropriately deal with the issue? If not, do you believe that there are impediments that might have affected the firm's response, and if so, what were they?

3. Does your organization have any other concerns about the level of fees charged for audit or non-audit services? If yes, please describe them and their basis. Does your organization have any current or proposed initiatives to deal with those concerns?

4. Do you believe that the IESBA Code establishes sufficient and appropriate [provisions](#) to help professional accountants and firms deal with threats to compliance with the fundamental principles and independence that might be created by the level of fees charged?

5. Do you believe that there are certain regulatory requirements in your jurisdiction relating to the level of fees charged by audit firms are more stringent than the provisions in the IESBA Code? If so, please explain why.

6. What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?

Non-Audit Services

7. In your jurisdiction, are there specific regulatory provisions that apply to the level of fees charged for (a) audit and assurance engagements; and (b) non-audit services provided to audit and assurance clients?

8. In your opinion, would a high ratio of non-audit fees to audit fees charged to **an audit or assurance client** create threats to an auditor's compliance with (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- Independence as defined by the IESBA Code?
- None of the above.

9. In your opinion, would a professional accountant's or the firm's compliance with one of the following be impacted if a high percentage of that firm's revenue is generated from providing non-audit services to the firm's clients (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- None of the above.

B.5. National Standard Setters and IFAC Member Bodies

General

1. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.

2. Has your organization identified from inspections, disciplinary investigations or other means, any fee-related issues that might have created threats to compliance with the fundamental principles or to independence? If so, please describe the finding. For example:

- What was the nature of the issue?
- How frequently did it occur and what was the severity?
- Did the firm appropriately deal with the issue? If not, do you believe that there are impediments that might have affected the firm's response, and if so, what were they?

3. Does your organization have any other concerns about the level of fees charged for audit or non-audit services? If yes, please describe them and their basis. Does your organization have any current or proposed initiatives to deal with those concerns?

4. Do you believe that the IESBA Code establishes sufficient and appropriate [provisions](#) to help professional accountants and firms deal with threats to compliance with the fundamental principles and independence that might be created by the level of fees charged?

5. Do you believe that there are certain regulatory requirements in your jurisdiction relating to the level of fees charged by audit firms that are more stringent than the provisions in the IESBA Code? If so, please explain why.

6. What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?

Non-Audit Services

7. In your jurisdiction, are there specific regulatory provisions that apply to the level of fees charged for (a) audit and assurance engagements; and (b) non-audit services provided to audit and assurance clients?

8. In your opinion, would a high ratio of non-audit fees to audit fees charged to **an audit or assurance client** create threats to an auditor's compliance with (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- Independence as defined by the IESBA Code?
- None of the above.

9. In your opinion, would a professional accountant's or the firm's compliance with one of the following be impacted if a high percentage of that firm's revenue is generated from providing non-audit services to the firm's clients (Please select one or more answers):

- Professional competence and due care as defined by the IESBA Code?
- The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
- None of the above.

B.6. Others, Including Preparers and Academics

1. Do you believe that the level of fees charged by an audit firm gives rise to ethics and/or independence issues? Please explain your response.

2. Do you believe that the IESBA Code establishes sufficient and appropriate [provisions](#) to help professional accountants and firms deal with threats to compliance with the fundamental principles and independence that might be created by the level of fees charged? Do you believe that the IESBA Code appropriately deals with the issues you identified in Q1?

3. What do you believe should be done to respond appropriately to concerns about the level of fees charged by audit firms? What should be IESBA's role? Who else should play a role and what should that role be?

Non-Audit Services

4. In your opinion, would a high ratio of non-audit fees to audit fees charged to **an audit or assurance client** create threats to an auditor's compliance with (Please select one or more answers):
- Professional competence and due care as defined by the IESBA Code?
 - The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
 - Independence as defined by the IESBA Code?
 - None of the above.
5. In your opinion, would a professional accountant's or the firm's compliance with one of the following be impacted if a high percentage of that firm's revenue is generated from providing non-audit services to the firm's clients (Please select one or more answers):
- Professional competence and due care as defined by the IESBA Code?
 - The other fundamental principles that are included in the IESBA Code – integrity, objectivity, professional behavior and confidentiality?
 - None of the above.

Additional Information

A. Contextual Information about the IESBA's Fees Initiative

The IESBA established a Fees Working Group in March 2016 to conduct fact-finding about 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. This work is responsive to concerns raised by stakeholders, in particular regulators and audit oversight authorities. The Working Group's fact finding is focused on obtaining an understanding of 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.

As part of this initiative, 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 audit fees for the period between 2006 and 2016. Prof. Hay observed that the findings with respect to the Working Group's four areas of focus were generally mixed. However, Prof. Hay observed that there has been consistent research findings that suggest a link between threats to independence in appearance and higher non-audit fees charged by audit firms to their audit clients.

The Working Group is expected to complete its fact finding and develop its final recommendations to the IESBA in 2018.

B. Defined Terms

1. *Independence*

The IESBA Code explains that independence comprises the following two separate elements:

- (a) Independence of Mind - The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
- (b) Independence in Appearance - The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the audit team's, integrity, objectivity or professional skepticism has been compromised.

An accounting firm or individual PAPP must ensure both elements of independence are not compromised.

2. *The Fundamental Principles*

Professional accountants must comply with the five fundamental principles of professional ethics which are described in the IESBA Code as follows:

- (a) Integrity – to be straightforward and honest in all professional and business relationships.
- (b) Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.
- (c) Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- (e) Professional Behavior – to comply with relevant laws and regulations and avoid any action that discredits the profession.

The fundamental principles establish the standard of behavior expected of professional accountants. The IESBA Code also describes a conceptual framework which establishes the approach which all accountants are required to apply to assist them in achieving compliance with those fundamental principles.

3. *Threats*

The IESBA Code explains that threats to compliance with the fundamental principles and independence fall into one or more of the following categories:

- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a professional accountant's judgment or behavior;
- (b) Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant, or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity;
- (c) Advocacy threat – the threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;
- (d) Familiarity threat – the threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work; and
- (e) Intimidation threat – the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.