



# THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

P. O. Box GP 4268

Accra, Ghana

Tel.: 0302738510/0302738538

0544336701/0277801422

Digital Address: GA-416-9898

E-mail: [info@icagh.com](mailto:info@icagh.com); [icaghana@gmail.com](mailto:icaghana@gmail.com)

Website: [www.icagh.com](http://www.icagh.com)

OUR REF: ICAG/TRD/ED/2020/Q2/Vol. 1

YOUR REF:

The Technical Director

International Ethics Standards Board for Accountants (IESBA)

New York

22<sup>nd</sup> May, 2020

Dear Sir,

## Comments on Exposure Draft: Proposed Revisions to the Fee-related Provisions of the Code

We are grateful to the IESBA for the opportunity given us to comment on the Exposure Draft (ED); “Proposed Revisions to the Fee-related Provisions of the Code”. We welcome the initiative of the IESBA in trying to identify challenges of Fee-related provisions of the Code, and come out with some possible solutions to the challenges auditors face in applying the ethical codes relating to fee-fixing for assurance and non-assurance services to their clients.

Below are our responses to the questions raised in the Exposure Draft:

### **Specific Matters for Comment**

#### *Evaluating Threats Created by Fees Paid by the Audit Client*

**1. Do you agree that a self-interest threat to independence is created and an intimidation threat to independence might be created when fees are negotiated with and paid by an audit client (or an assurance client)?**

Yes, we agree. Per the guidance, “*a self-interest threat exists is based on the risk inherent whenever the party responsible for the subject of an examination directly pays the examiner.*” In addition, the IESBA believes that such practice might also create an intimidation threat to independence.

**2. Do you support the requirement in paragraph R410.4 for a firm to determine whether the threats to independence created by the fees proposed to an audit client are at an acceptable level:**

Yes, we do agree. That paragraph also goes on to say “*The firm shall also re-evaluate such threats where appropriate during the engagement period for the audit if circumstances change*”. This is also supported by R120.9, “*if a professional accountant becomes aware of new or changes in facts, circumstances impacting threats, the accountant must re-evaluate and address the threat accordingly.*”

**(a) Before the firm accepts an audit or any other engagement for the client; and**

Yes, we agree. The engagement is a new circumstance in the current year compared to the prior year and therefore the accountant must re-evaluate.

**(b) Before a network firm accepts to provide a service to the client?**

Yes, we do agree. The guidance applies to both a single firm or a network of firms.

**3. Do you have views or suggestions as to what the IESBA should consider as further factors (or conditions, policies and procedures) relevant to evaluating the level of threats created when fees for an audit or any other engagement are paid by the audit client? In particular, do you support recognizing as an example of relevant conditions, policies and procedures the existence of an independent committee which advises the firm on governance matters that might impact the firm's independence?**

The factors listed at paragraph 410.4 A2 are quite comprehensive. Apart from including the internal quality control mechanisms that exist within an audit firm, we do not have further factors to suggest as relevant to evaluating the level of threats created when fees are paid by the audit client. In particular, we do support the existence of an independent committee (either an audit committee or TCWG) as a solid measure to evaluate the threat level associated with auditor independence. Where there is an independent audit committee of the audit client, the IESBA should consider reassigning the responsibility of paying the auditor to be done by the committee. This will require the allocation of funds to the audit committee. It will be a good idea to still disclose specific information relating to relevant activities of the committee in the notes section of the financial statements.

***Impact of Services Other than Audit Provided to an Audit Client  
Specific Matter for Comment***

**4. Do you support the requirement in paragraph R410.6 that a firm not allow the level of the audit fee to be influenced by the provision by the firm or a network firm of services other than audit to the audit client?**

Per 410.5 A1, determining the fees to be charged to an audit client, whether for audit or other services, is a business decision of the firm taking into account the facts and circumstances relevant to that specific engagement, including the requirements of technical and professional standards.

The guidance indicates that usually, considerations affecting the level of the fee include:

- The scale, complexity and geographic spread of the audit client's operations.
- The time spent or expected to be spent commensurate with the scope and complexity of the audit.
- The cost of other resources utilized or expended in performing the audit.
- The quality of record keeping and processes for financial statements preparation"

We therefore agree that provision of services other than audit should not be a factor affecting the level of audit fees.

*Proportion of Fees for Services Other than Audit to Audit Fee*

**5. Do you support that the guidance on determination of the proportion of fees for services other than audit in paragraph 410.10 A1 include consideration of fees for services other than audit:**

- (a) Charged by both the firm and network firms to the audit client; and**
- (b) Delivered to related entities of the audit client?**

Yes, we do agree. When a large proportion of fees charged by the firm or network firms to an audit client is generated by providing services other than audit to the client, it creates an intimidation threat. A further consideration is a perception that the firm or network firm focuses on the non-audit relationship, which might create a threat to the auditor's objectivity.

**For the avoidance of doubt, the IESBA intends that the related entity provision of the Code (paragraph R400.20) would apply in determining the fees for other services provided to the audit client, i.e., services provided to related entities of the audit client would be included.**

*Fee Dependency for non-PIE Audit Clients*

**6. Do you support the proposal in paragraph R410.14 to include a threshold for firms to address threats created by fee dependency on a non-PIE audit client? Do you support the proposed threshold in paragraph R410.14?**

Yes, we agree. As this is guidance for a wide range of practice firms, some common objectively determined means should be used to trigger an evaluation of the threat. There is no guidance provided as to how this exact percentage was determined and therefore I cannot comment on the appropriateness of this number.

There is the need to explain how the 30% benchmark was arrived at and its impact on self-interest and intimidation threats created by fee dependency on a non-PIE audit client.

**7. Do you support the proposed actions in paragraph R410.14 to reduce the threats created by fee dependency to an acceptable level once total fees exceed the threshold?**

Yes, we do agree. When the threshold is exceeded, a review of the audit work is the basic minimum that should be performed. Once again the basis of the 30% benchmark should be explained.

*Fee Dependency for PIE Audit Clients*

**8. Do you support the proposed action in paragraph R410.17 to reduce the threats created by fee dependency to an acceptable level in the case of a PIE audit client?**

Yes, we support the proposal. We support the view that prior to the audit opinion being issued on the second year's financial statements, an engagement quality review performed by a professional accountant who is not a member of the firm expressing the opinion on the financial statements ("pre-issuance review"). This might be a safeguard to reduce the threats to an acceptable level.

**9. Do you agree with the proposal in paragraph R410.19 to require a firm to cease to be the auditor if fee dependency continues after consecutive 5 years in the case of a PIE audit client? Do you have any specific concerns about its operability?**

We agree since beyond 5 years this fee dependency would become so persistent and fundamental that no safeguards would be capable of reducing the threats to an acceptable level. Therefore, the only solution would be to resign from the engagement. Specific concerns about the operability of this paragraph we can think of include the fact that worldwide there might be varying situations relating to national anti-competition or anti-trust laws. This will definitely factor in the operability of this provision.

**10. Do you support the exception provided in paragraph R410.20?**

We support the exception of having the independent regulatory body or professional body in the relevant jurisdiction to weigh in if it concurs that having the firm continue as the auditor would be in the public interest. Their knowledge of the particular environment will be invaluable in assessing whether it makes sense for the firm to continue with the audit client or resign.

*Transparency of Fee-related Information for PIE Audit Clients*

**11. Do you support the proposed requirement in paragraph R410.25 regarding public disclosure of fee related information for a PIE audit client? In particular, having regard to the objective of the requirement and taking into account the related application material, do you have views about the operability of the proposal?**

We fully support the disclosure 2 out of the 3 proposals namely (a) the fee for the audit of the financial statements on which the firm issued an opinion, comprising (i) Fees paid or payable to the firm and network firms, and (ii) Actual or estimated fees paid or payable to other firms that have performed audit procedures on the engagement; (b) the total amount of fees charged during the period covered by the financial statements for the provision of services by the firm or a network firm to the audit client. The two proposals should be straightforward and easy to implement as they are disclosure requirements that can easily be implemented and cross-checked against available information.

We are not very comfortable with disclosing the fact that the total fees received by the firm from the audit client represent, or are likely to represent, more than 15% of the total fees received by the firm for two consecutive years, and the year that this situation first arose. We think that further directives or guidelines should be provided as to the rationale of such disclosure in relation to transparency of fee-related information for PIE Audit Clients.

**12. Do you have views or suggestions as to what the IESBA should consider as:**

**(a) Possible other ways to achieve transparency of fee-related information for PIEs audit clients;**

No, we don't have any other views except that further directives or guidelines should be provided as to the rationale of disclosing fees above 15% of total fees received from a client in relation to transparency of fee-related information for PIE Audit Clients.

**(b) Information to be disclosed to TCWG and to the public to assist them in their judgments and assessments about the firm's independence?**

We support disclosing the percentage of the client's fees to the audit firm to TCWG, but no other stakeholder. Other than that, we do not have any other suggestions.

*Anti-Trust and Anti-Competition Issues*

**13. Do you have views regarding whether the proposals could be adopted by national standard setters or IFAC member bodies (whether or not they have a regulatory remit) within the framework of national anti-trust or anti-competition laws? The IESBA would welcome comments in particular from national standard setters, professional accountancy organizations, regulators and competition authorities.**

No, we don't have any other view. We believe that the proposals are very appropriate and will lead to transparency and fairness in audit reporting.

*Proposed Consequential and Conforming Amendments Proposed Consequential and Conforming Amendments*

**14. Do you support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out in this Exposure Draft? In relation to overdue fees from an assurance client, would you generally expect a firm to obtain payment of all overdue fees before issuing its report for an assurance engagement?**

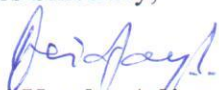
Yes, all the proposed amendments appear reasonable. And yes, we do expect a firm to obtain all outstanding prior year fees as well as to the extent considered reasonable, all overdue current year fees as per the agreed upon payment schedule prior to issuing their current year report on an assurance engagement.

**15. Do you believe that there are any other areas within the Code that may warrant a conforming change as a result of the proposed revisions?**

We are not aware of any other areas within the Code that may warrant a conforming change as a result of the proposed revisions enumerated in this draft.

We hope the IESBA finds these comments helpful in further developing its consultations on Proposed Revisions to the Fee-related Provisions of the Code. In turn, we are committed to helping the IESBA in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,



**Osei Kwaku Adjaye-Gyamfi**  
**DIRECTOR, TECHNICAL AND RESEARCH**