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International Ethics Standards Board for
Accountants (IESBA)

Sent by email:
KenSiong@ethicsboard.org

Brussels, 1 March 2018

Subject: Accountancy Europe response to the IESBA Fees Questionnaire

Dear Mr Ken Siong,

Accountancy Europe is pleased to provide you with its comments on the IESBA Fees Questionnaire.

The questionnaire is of a rather academic nature, oversimplified and it is unlikely that the answers will yield the right data to serve as a basis for a sound and well-founded regulatory initiative. We think that IESBA should be extremely cautious with using responses to a questionnaire based on perception issues.

The relationship between audit service and non-audit service is complex

The issue on non-audit fees and the ratio between audit fees and non-audit fees is far more complex than presented in the questionnaire. The audit service cannot be performed in a vacuum, many non-assurance services are instrumental in providing the necessary comfort to shareholders. These non-assurance services encompass reviews of regulatory reports, quarterly financial statements reviews, comfort letters, review of non-financial information reporting etc. In the EU, data on the level of audit fees and non-audit fees are publicly available for public interest entities. These data could be analysed to better understand the interdependencies between audit services and non-audit services.

Adequate resources are instrumental for high quality services

In case IESBA should take an action in following up on this questionnaire, this action should not intervene in price setting. However, IESBA could emphasize the need for adequate resources to perform a high-quality engagement with the necessary existing IAASB standards. We refer to the work we did on criteria to be used by audit committee members for an [auditor selection process](#).

We think that dependency on fees from a specific audit client could be harmful and could adversely **impact auditor's objectivity**. Furthermore, we agree that **fee pressure might pose a threat to ethical issues** such as professional competence and due care, objectivity and have therefore impact audit quality. **A too low fee may raise concerns regarding the auditor's professional competence when performing the audit engagement**. Adherence to robust quality assurance procedures ought to be viewed as a safeguard. We refer to the current work on quality control of the IAASB.

We are aware that – in particular, following the introduction of mandatory audit firm rotation – downward pressure on audit fees is increasingly an issue in many countries within Europe, especially when audit is viewed as a mere commodity such that entities charge their procurement department with sourcing as low a price as possible.

Perceptions as to the value of an audit need to be enhanced. Efforts should be made beyond just the audit profession to ensure the value of a high-quality audit is better understood and appreciated. In this context, standard setters and regulators also need to look at the impact of their own actions pro- and retrospectively.

We concur that a high ratio of non-audit fees to audit fees may **affect auditor's independence** with regard to individual audit clients. Therefore, the Code should require effective measures to safeguard auditors' independence.

At international level, it is key to remain principles-based

The Code should be kept principles-based and avoid setting rules determining what is acceptable and what is not. Each situation is different, and the threat arising is different. Therefore, better guidance on how to assess threats and apply safeguards is welcomed as a potential enhancement.

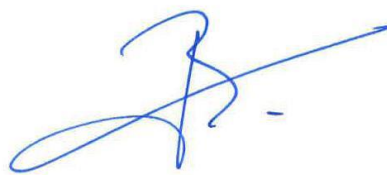
The current provisions and principles in the Code are sound and appropriate. Most importantly, in many jurisdictions national laws relating to the level of fees charged by audit firms and the provision of non-audit services are stricter than the provisions in the IESBA Code.

IESBA should take into account that the audit reform in the European Union (EU) has dealt with the issues relating to the provision of non-audit services and audit fees. Hence, it should avoid adding another layer of requirements that may not always be appropriate or compatible with national or regional requirements. This risks leading to problems of application at an international level which defies the very purpose of a high level international Ethics Code.

Sincerely,



Edelfried Schneider
President



Olivier Boutellis-Taft
Chief Executive