

Review and Analysis of APESB Submission key comments. and IESBA Responses

The table sets out the key recommendations that APESB made in its submission to the IESBA in relation to the IESBA Exposure Draft on Fees and noted the response, if any, by the IESBA to the suggestion.

APESB Submission Recommendations	IESBA response/position in Final Approved Text
<ul style="list-style-type: none"> The IESBA liaise with the IASB to implement reforms concerning the disclosure of external audit and other fees in the financial statements and remove the proposed requirement in the Code for the auditor to be responsible for the specified disclosures relating to fees 	<ul style="list-style-type: none"> Provision amended to note that laws and regulations may address the requirement for an entity to disclose audit fees. If laws and regulations do not apply, the auditor needs to raise with Those Charged with Governance (TCWG) and potentially disclose information themselves if needed.
<ul style="list-style-type: none"> The inclusion of a requirement for a firm to decline an audit engagement if threats to the fundamental principles caused by fees cannot be reduced to an acceptable level 	<ul style="list-style-type: none"> Provisions have been amended to refer back to the conceptual framework for this requirement rather than duplicate it in the fees section.
<ul style="list-style-type: none"> Remove the proposed threshold for non-public interest entities (PIE) audit clients and replace it with the same threshold as PIEs (15%) or adopt a principle-based approach to ensure the provisions are scalable for SMPs 	<ul style="list-style-type: none"> Not amended. The final text includes the requirement to determine fee dependency for the non-PIE threshold at 30% for 5 years.
<ul style="list-style-type: none"> Review the drafting of proposed paragraphs R410.14, R410.15 and R410.17 to clarify the approach to the application of safeguards and the action to be taken where safeguards cannot be applied 	<ul style="list-style-type: none"> Not addressed. APESB Technical Staff would still prefer this to be more explicitly referred to in the text but acknowledge that the overall conceptual framework would suggest discontinuing an engagement if safeguards will not address the identified threats.
<ul style="list-style-type: none"> Refine drafting to ensure that the requirements are enforceable and capable of being monitored, such as replacing the word 'influence' in proposed paragraph R410.6 	<ul style="list-style-type: none"> Not addressed. The provision still uses the word 'influence.'
<ul style="list-style-type: none"> Provide additional guidance on what would cause an auditor to re-evaluate the threats to the fundamental principles caused by fees 	<ul style="list-style-type: none"> Addressed in 410.4 A2 (changed from a requirement to application material)
<ul style="list-style-type: none"> Provide additional guidance on documentation of matters relating to fees, including the assessment (or re-evaluation) of threats to the fundamental principles 	<ul style="list-style-type: none"> Not addressed
<ul style="list-style-type: none"> Provide additional guidance on the types of services that fit into categories such as 'audit-related services,' 'other assurance services,' 'taxation services' and 'other services' 	<ul style="list-style-type: none"> Not addressed. APESB Technical Staff have considered this issue in more detail in Agenda Paper 11 of BM 105.
<ul style="list-style-type: none"> Consider the inclusion of further examples where the proportion of fees could cause threats to the fundamental principles (such as the referral of multiple audit engagements from one source) 	<ul style="list-style-type: none"> Partially addressed in 410.26 A1. AUST-specific provisions have been retained to cover this issue.

Agenda Item 11(c)

APESB Submission Recommendations	IESBA response/position in Final Approved Text
<ul style="list-style-type: none">• Consider enhancing the role of TCWG and audit committees in the financial reporting supply chain by providing guidance on their role in upholding audit quality and auditor independence	<ul style="list-style-type: none">• Not specifically addressed.• Acknowledge that the provisions about disclosing fees have been amended to reduce the perception that the auditor is solely responsible for disclosing information in relation to audit fees.
<ul style="list-style-type: none">• IESBA reconsider the consequential amendments to Section 270 Pressure to Breach the Fundamental Principles to ensure that the section continues to provide guidance on where the member is under pressure from others or may themselves be placing pressure on others.	<ul style="list-style-type: none">• Addressed in 270.3 A2