



Professional Ethics Division

Revised interpretation

Unpaid Fees

ET sec. 1.230.010

Effective December 31, 2022

Standards-setting

March 2022

Ethics interpretations and other guidance are promulgated by the executive committee of the Professional Ethics Division to provide guidelines about the scope and application of the rules but are not intended to limit such scope or application. Publication in the *Journal of Accountancy* constitutes notice to members.

The Professional Ethics Executive Committee adopted revisions to the “Unpaid Fees” interpretation (ET sec. 1.270.010) at its February 2022 meeting.

Notice of the revisions will appear in the *Journal of Accountancy* online in June 2022. The revisions are effective December 31, 2022, and early implementation is allowed.

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Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

1.230.010 Unpaid Fees

- .01 The existence of unpaid fees to a covered member for professional services previously rendered to an attest client may create self-interest, ~~or~~ undue influence, or advocacy threats to the *covered member's* compliance with the "Independence Rule" [1.200.001]. ***Unpaid fees include fees that are unbilled or a note receivable arising from such fees.***
- .02 ***Factors to consider when evaluating whether threats are at an acceptable level include the following:***
- a. ***The significance of the unpaid fees to the covered member***
 - b. ***The length of time the fees have been due from the attest client***
 - c. ***The attest client's agreement to pay the unpaid fees***
 - d. ***The covered member's assessment of factors affecting the ability of the attest client to pay the fees***
- ~~.02.03~~ ***Threats to the covered member's compliance with the "Independence Rule" [1.200.001] would not be are at an acceptable level if, when the current-year attest report is issued, unpaid fees are both clearly insignificant to the covered member and relate to and could not be reduced to an acceptable level by the application of safeguards if a covered member has unpaid fees from an attest client for any previously rendered professional services provided more less than one year prior to the issue date of the current-year attest report. Alternatively, threats would not be at an acceptable level if, when the current-year attest report is issued, unpaid fees are both significant to the covered member and relate to professional services provided more than one year prior to the issue date of the current-year attest report. Other situations may require judgment to assess whether there are threats to the covered member's compliance with the "Independence Rule."*** Accordingly, ~~independence would be impaired~~. Unpaid fees include fees that are unbilled or a note receivable arising from such fees.
- .04 ***If the covered member concludes that threats are not at an acceptable level, then the covered member should apply safeguards to eliminate the threats or reduce them to an acceptable level. Application of more than one safeguard may be required to eliminate or reduce threats to an acceptable level. If safeguards are not available or cannot be applied to eliminate or reduce the threats to an acceptable level, then independence would be impaired. Examples of actions that might be safeguards include the following:***

- a. *Have an appropriate reviewer who has not provided attest or nonattest services to the [attest client](#) review the attest work performed before the current-year attest report is issued.*
- b. *Obtain partial payment of the unpaid fees balance before the current-year attest report is issued such that the remaining unpaid balance is insignificant to the covered member.*
- c. *Obtain an agreement from the attest client to a payment schedule before the current-year attest report is issued.*
- d. *Suspend further work on current attest engagements and not accept new engagements with this attest client.*

.05 *Communication with those charged with governance regarding evaluation of the unpaid fees and safeguards applied is not a sufficient safeguard when applied alone; however, it may be considered a safeguard when supplemented by other safeguard(s), such as those noted in paragraph .04a through .04d.*

~~.03.~~**.06** This interpretation does not apply to ~~fees outstanding~~ **unpaid fees** from an [attest client](#) in bankruptcy. [Prior reference: paragraphs .103–.104 of ET section 191]

~~.04.~~**.07** Refer to the “[Fees and Other Types of Remuneration](#)” topic [1.500] for additional guidance.



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