

December 20, 2021

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Mr. Brian S. Lynch, Chair - Professional Ethics Executive Committee  
Ms. Toni Lee-Andrews, Director - Professional Ethics Division  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas, 27th Floor  
New York, NY 10105

Mail to: Ethics-Exposure Draft@aicpa-cima.com

**Re: Proposed Revised Interpretation: Unpaid Fees Interpretation (ET Section 1.230.010) Exposure Draft**

Dear Mr. Lynch and Ms. Lee-Andrews:

Deloitte LLP (“Deloitte,” “our,” or “we”) is pleased to respond to the exposure draft issued by the Professional Ethics Executive Committee (“PEEC”) of the American Institute of Certified Public Accountants’ (“AICPA”) of *Proposed Revised Interpretation — Unpaid Fees* (the “Proposed Interpretation”). We appreciate the opportunity to comment on the Proposed Interpretation and commend the PEEC for its continued efforts to re-examine and improve professional standards and guidance. We have included comments and recommendations on specific requested matters for consideration by the PEEC.

**General Comments**

We are supportive of the proposed revision and agree with replacing the extant interpretation’s bright-line parameters with a more principles-based approach, wherein practitioners evaluate threats to independence and apply safeguards to reduce threats to an acceptable level. We also agree the conceptual approach contemplated by the Proposed Interpretation will assist practitioners in addressing most unpaid fee issues encountered on an attest engagement.

**Comments in Response to Item 10. *Request for Comments***

- a. We agree unpaid fees do not create an advocacy threat to independence and the reference should be deleted from the interpretation.
- b. The factors to consider when evaluating whether threats are at an acceptable level are clearly stated in paragraph .02 of the Proposed Interpretation, and we do not recommend any additional factors to consider.
- c. We agree with the use of the terms “clearly insignificant” and “significant” in paragraph .03 of the Proposed Interpretation. The use of a principles-based approach is appropriate when considering the significance of an outstanding fee.

However, paragraph .03 is not clear on *when* members should consider the significance of unpaid fees. The extant AICPA Code of Professional Conduct (the “AICPA Code”) prohibits unpaid fees for services provided more than one year prior to the report issuance date but does not prohibit such fees at other times during the attest relationship. The Proposed Interpretation may be viewed as requiring *ongoing* evaluation of the significance of unpaid fees rather than a point-in-time (report issuance date) evaluation, which would be more restrictive than the extant AICPA Code. If PEEC intended to retain the extant AICPA Code approach as it relates to the significance of fees, we suggest revising as follows:

.03 Threats to the covered member’s compliance with the “Independence Rule” [1.200.001] 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 professional services provided 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 require judgment to assess the threats to the covered member’s compliance with the “Independence Rule.”

- d. We do not suggest any additional safeguards as examples in paragraph .04 of the Proposed Interpretation.
- e. We believe the safeguards in paragraphs .04a and .04d are clearly delineated.
- f. Paragraph .04f does not explicitly state that communication with those charged with governance is not by itself a sufficient safeguard, thus it is not clear it should be accompanied by other safeguards to reduce threats to an acceptable level. If PEEC wishes to clearly make that distinction in the interpretation, it should be explicit or clearly implied. As written, the provision only suggests communication of other safeguards applied, rather than expressing the adequacy or sufficiency of communicating with those charged with governance as a safeguard. We suggest the following revision to make it explicit that the safeguard does not by itself reduce threats to an acceptable level:

.04f Communicate with those charged with governance regarding the unpaid fees and the other safeguards applied. ***Such communication does not by itself reduce threats to an acceptable level.***

- g. We agree the proposal should be effective six (6) months after notice is published in the *Journal of Accountancy* with early adoption permitted.

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We would be pleased to discuss our comments with you at your convenience. If you wish to do so, please contact Kathy Savage at [ksavage@deloitte.com](mailto:ksavage@deloitte.com) or +1.615.313.4371 or Jan Neal at [janeal@deloitte.com](mailto:janeal@deloitte.com) or +1.615.259.887.

Sincerely,

Deloitte + Touche LP