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December 20, 2021

Professional Ethics Executive Committee
Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via Email to Ethics-ExposureDraft@aicpa.org

Re: Comments on Exposure Draft, Proposed revised interpretation of the AICPA Code of Professional Conduct, Unpaid Fees (ET sec. 1.230.010), AICPA Professional Ethics Division dated September 20, 2021

Dear Committee Members:

Grant Thornton LLP appreciates the opportunity to comment on the American Institute of Certified Public Accountants ("AICPA") Professional Ethics Executive Committee's ("PEEC") September 2021 Exposure Draft ("Exposure Draft"), which proposes a revised interpretation of the AICPA Code of Professional Conduct ("the Code") "Unpaid Fees" (ET sec. 1.230.010).

Grant Thornton supports PEEC's proposal to revise the unpaid fees interpretation (ET sec. 1.230.010) by removing the reference to an advocacy threat as it is not applicable to unpaid fees and providing a principles-based framework to evaluate when unpaid fees may impair independence. In addition, the proposal includes factors to consider when evaluating whether independence threats are at an acceptable level and examples of safeguards to eliminate or reduce threats to an acceptable level which will assist members in applying the revised interpretation.

While Grant Thornton supports the proposed revisions to the interpretation set forth in the Exposure Draft, we have provided the following comments for PEEC's consideration.

General Comments

Grant Thornton agrees that replacing the current bright-line one-year providing with a principles-based framework is appropriate and will better assist members with addressing issues that may arise with an attest engagement given the change in the

economic environment and especially given the COVID-19 pandemic. The principles-based framework is more consistent with the AICPA's Conceptual Framework and the use of a threats and safeguards approach that also converges with other standards setters, such as IESBA. However, as shared below in our specific comments for consideration, we believe that additional clarification can be provided as it relates to actions that may be taken and safeguards that can be applied to eliminate or reduce threats to an acceptable level. Further, PEEC may consider developing non-authoritative guidance in the format of a frequently asked questions (FAQs) document that highlights various scenarios and examples, which include discussion of factors to consider and safeguards that may be appropriate when certain facts and circumstances exist and based on issues members may be encountering in current practice. See additional related comments in the section below.

Request for Specific Comments

Below are Grant Thornton's specific comments as requested in the Exposure Draft. Suggested edits are provided below (additions in **bolded red font** and deletions in ~~red strikethrough~~).

Question 1: PEEC does not believe unpaid fees create advocacy threats and, as such, proposes to eliminate this from the interpretation. Do you believe the advocacy threat is applicable to unpaid fees? If so, please explain.

We support the elimination of reference to unpaid fees creating advocacy threats from the interpretation as we do not believe unpaid fees result in the member acting or appearing to act as an advocate for the attest client or to support the attest client's position either within the firm or outside the firm with standard setters, regulators, or others.

Question 2: Are the factors to consider when evaluating whether threats are at an acceptable level clear? Should any other factors be considered?

We believe the factors to consider when evaluating whether threats are at an acceptable level are clear; however, suggest updating paragraph .02a as follows "The significance of the unpaid fees ~~to~~ **for the professional services provided by the covered member**".

Question 3: Do you agree with the use of the terms "clearly insignificant" and "significant" in paragraph .03 of the interpretation? Why or why not?

We agree with the use of the terms "clearly insignificant" and "significant" in paragraph .03 of the interpretation as these terms are consistent with terms used in other areas of the Code and in standards and guidance from other regulators, such as IESBA.

Question 4: Should any other safeguards be provided as examples in paragraph .04?

We do not have any suggestions for other safeguards to be provided as examples in paragraph .04. Rather, we suggest PEEC consider whether the safeguards should be presented in a sequential order as to what has been experienced in practice or consider such guidance for a non-authoritative FAQ as noted in the **General Comments** section above. Further, we suggest PEEC consider whether it may be

appropriate for paragraphs .04b and .04c to be combined and presented to two elements of a single safeguard as it seems these safeguards may be commonly applied together in practice. Alternatively, consider whether it would be appropriate to update paragraph .04b as follows “Obtain partial payment of the unpaid fees balance **such that the remaining unpaid balance is insignificant to the member**”.

Question 5: Are the safeguards in paragraphs .04a and .04d clearly delineated? Why or why not?

We believe safeguards in paragraphs .04a and .04d could be clarified and more clearly delineated as it appears the pre-issuance review of a current attest engagement in paragraph .04d already being considered in paragraph .04a. It may be helpful if these safeguards are clarified for members as to how these safeguards are different, separate and distinct from one another within the interpretation or, alternatively, through illustrative example scenarios that discuss when one safeguard vs. another may be considered to assist with consistent application of the revised interpretation in a non-authoritative FAQ.

Question 6: Is it clear in paragraph .04f that communication with those charged with governance is not in itself a sufficient safeguard?

We agree that communication with those charged with governance (“TCWG”) is not a sufficient safeguard itself. However, we do not believe communication with TCWG is considered itself a safeguard as we do not believe it assists with eliminating or reducing threats to independence to an acceptable level nor have we seen it presented as a safeguard in other areas of the AICPA Code or in other regulatory standards. Rather, we suggest PEEC consider whether it is necessary for communication with TCWG to be required under the interpretation or a suggested action, as necessary based on facts and circumstances. In either case, as a requirement or suggested action, as necessary based on facts and circumstances under the interpretation, we suggest PEEC update the revised interpretation, for example, as shown below by moving the reference to the opening paragraph for .04. PEEC could also consider having a “Discussions with Those Charged with Governance” section, consistent with how such actions are presented in other areas of the AICPA Code, included after paragraph .04.

.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 **and communicate with those charged with governance regarding the member’s evaluation of the unpaid fees and the safeguards applied to eliminate or reduce threats to an acceptable level, as necessary based on facts and circumstances**. 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.

- c. Agree to a payment schedule before the current-year attest report is issued.
- d. Select the current attest engagement for pre-issuance or post-issuance review.
- e. Suspend further work on current attest engagements and not accept new engagements with this attest client until the unpaid fees are clearly insignificant to the covered member.
- f. ~~Communicate with those charged with governance regarding the unpaid fees and the other safeguards applied.~~

Question 7: Do you agree that a six-month delayed effective date provides adequate time to implement the proposal? If not, why, and what period would provide adequate time?

We agree a proposed six-month delayed effective date provides adequate time to implement the proposal.

Grant Thornton has no other comments to suggest for consideration.

We would be pleased to discuss our comments with you. If you have any questions, please contact Anna Dourdourekas, National Partner in Charge, Ethical Standards, at Anna.Dourdourekas@us.gt.com or (630) 873-2633.

Sincerely,

/s/ Grant Thornton LLP