In this KLiP, we will cover,

2. <u>Fees</u>

The nature and level of fees or other types of remuneration might create a self-interest or intimidation threat.

When the total fees generated from an assurance client for an engagement, by the firm expressing the conclusion represent a large proportion of the total fees of that firm, the dependence on that client and concern about losing the client creates a self-interest or intimidation threat.

An example of action that might be a safeguard to address the threat is by increasing the client base of the firm to reduce dependence on that assurance client.

In the event that the fees generated by the firm from an assurance client represent a large proportion of the revenue from an individual partner's clients, a self-interest or intimidation threat might be created.

In such situations, the actions that might act as safeguards to address the threats are, for ex:
- Increasing the client base of the partner to reduce dependency on the assurance client.
- Having an appropriate reviewer who was not an assurance team member review the work.

<u>Fees – Overdue</u>

Generally, it is expected that the firm will receive the fees before the following period report is issued. However, if a significant part of the fees is unpaid before the assurance report is issued a self-interest threat might be created.

And if a significant part of fees due from an assurance client remains unpaid for a long time, the firm shall determine:
a) Whether the overdue fees might be equivalent to a loan to the client; and
b) Whether it is appropriate for the firm to be re-appointed or continue the assurance engagement.

To address the above threats, the actions that might act as safeguards include:
- Obtaining partial payment of overdue fees
- Having an appropriate reviewer who did not take part in the assurance engagement review the work performed.

<u>Contingent fees</u>

A firm shall neither charge directly or indirectly a contingent fee for an assurance engagement nor for a non-assurance service.

They shall not charge a contingent fee to an assurance client, if the outcome of the non-assurance service, and the amount of the fee is dependent on a future or contemporary judgement related to a matter that is material to the subject matter information of the assurance engagement.

Even if the Code precludes or does not preclude a firm from entering into certain contingent fee arrangements with an assurance client, a self-interest threat might be created.

In such situations, the actions that might be safeguards to address the threats include:

- Having an appropriate reviewer who was not involved in non-assurance engagement review the assurance work.
- Obtaining a written agreement in advance with the client on the basis of remuneration.

With this we come to the end of the KLiP.

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