



**Jersey Financial  
Services Commission**

# **Feedback on Consultation Paper**

## **No. 8 2017**

Recognized Auditor Fees – feedback to a consultation on proposals to change fee rates

Issued: October 2017

## Consultation feedback

This paper reports on responses received by the JFSC to its Consultation Paper No. 8 2017 (Companies (Jersey) Law 1991: Recognized Auditor Fees – A consultation on proposals to change fee rates).

## Glossary of terms

CJL	Companies (Jersey) Law 1991, as amended
JFSC	Jersey Financial Services Commission
JSCCA	The Jersey Society of Chartered and Certified Accountants
recognized auditor	a person whose name is entered on the Register of Recognized Auditors maintained by the <i>JFSC</i> pursuant to Article 110 of the <i>CJL</i>

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# 1 Executive summary

## 1.1 Overview

- 1.1.1 We issued Consultation Paper No. 8 2017 in August, proposing an increase in recognized auditor fee rates.
- 1.1.2 One response to the consultation was received. A summary of the response and our feedback are set out in the next chapter.
- 1.1.3 In light of the feedback received, we will be changing the fee rates to the levels consulted on, effective 1 January 2018. The final form of the fees notice can be found in Appendix A.

## 1.2 Next steps

- 1.2.1 Recognized auditors will be sent an invoice for the revised annual fee of £880, approximately four weeks before the next due date of 1 June 2018. Late payment may incur fees as detailed in the fees notice.
- 1.2.2 Recognized auditors that designate an additional responsible individual after 1 January 2018 – and thus become liable to the new discrete fee of £100 – will be sent an invoice upon receipt of the relevant “*Notification of the designation of a responsible individual*” form.

## 2 Consultation feedback

### 2.1 Feedback received

- 2.1.1 We received one response to the consultation – from the *JSCCA*. We are grateful to the *JSCCA* for taking the time to consider and respond to our consultation.

### 2.2 Proposed changes to the application and annual fees

- 2.2.1 The *JSCCA* opined that the application and annual fees should be set at a level to recover the costs to the *JFSC* of registering a new applicant or the on-going costs of administering the regime.
- 2.2.2 It was of the view that an increase based on inflation was reasonable on the assumption that the fees were sufficient to cover the costs initially and that such costs were increasing in line with inflation. Assuming that to be the case, the *JSCCA* did not oppose the proposed increase in fee levels.
- 2.2.3 *JFSC* response: The application fee is designed to cover the cost of the ‘average’ application, with, of course, some taking longer than others to process depending on their complexity. The annual fee is designed to cover the ongoing costs of administering the recognized auditor oversight regime. Since 2010, such costs have broadly increased in line with inflation. The *JFSC* will be proceeding with the fee changes as consulted on.

### 2.3 The proposed new discrete fee

- 2.3.1 The *JSCCA* did not disagree with the proposed new discrete fee of £100 for adding a person to the list of responsible individuals in a firm’s entry on the Register of Recognized Auditors.
- 2.3.2 ***JFSC* response:** We will be implementing the new discrete fee as consulted on.
- 2.3.3 The *JSCCA* did have a couple of observations on this part of the consultation however.
- 2.3.4 The *JSCCA* noted that, on application, an audit firm could initially designate any number of responsible individuals on a one-off basis for the (proposed) flat application fee of £1,170. It suggested that this could lead to undesirable consequences, such as a new applicant designating a large number of responsible individuals at the application stage to avoid having to pay the new discrete fee of £100 per designated responsible individual in the future. It suggested that this could be avoided by structuring the application fee differently to disincentivise such action.
- 2.3.5 ***JFSC* response:** We recognise that there is a potential risk that an audit firm may designate multiple responsible individuals at the application stage to avoid paying the £100 discrete fee later. However, in practice, we think that is unlikely given how much administration time (i.e. internal cost) that would involve a firm in at the application stage, simply to avoid a relatively modest fee in the future. Given that, we think it is preferable to maintain a simple flat application fee, rather than implement a more complicated method. Having said that, if we see evidence in the future that firms are avoiding the discrete fee by structuring their application in the manner the *JSCCA* suggests they might, we will review the basis of the fee.

- 2.3.6 The *JSCCA* also commented that promotions to audit signatory status within firms generally occur once a year. It suggested that consideration be given to enabling multiple responsible individuals to be designated by means of a single form, which it opined could produce administrative cost savings for the *JFSC* and enable a reduction in the fee.
- 2.3.7 ***JFSC* response:** Our experience is that audit firms designate responsible individuals throughout the year, ordinarily when the individual is expected to sign the audit of a Jersey market traded company in the near future. We have not seen multiple designations made at one time simply as a consequence of an annual round of promotions to audit signatory status.

# Appendix A – Recognized Auditor Fees Notice

## Notice of Fees

Published in accordance with: **Article 15 of the Financial Services Commission (Jersey) Law 1998, as amended**

Payable by or in relation to: **Recognized Auditors**

Pursuant to: **Article 111(1)(b) and 111(18) of the Companies (Jersey) Law 1991, as amended**

Commencement date: The fees set out in this notice are effective from 1 January 2018.

### 1 Interpretation

1.1 In this notice, unless the context otherwise requires

- JFSC means the Jersey Financial Services Commission
- Law means the Companies (Jersey) Law 1991, as amended
- recognized auditor means a person whose name is entered on the Register of Recognized Auditors maintained by the JFSC pursuant to Article 110 of the Law.

### 2 Application fee

2.1 An auditor that applies for registration as a recognized auditor shall pay a fee of £1,170.

### 3 Annual fee calculation

3.1 A recognized auditor shall pay an annual fee of £880 on each 1 June.

### 4 Fee for notification of the designation of a responsible individual

4.1 A recognized auditor that notifies the JFSC of the designation of a responsible individual shall pay a fee of £100 in respect of each individual so notified.<sup>1</sup>

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<sup>1</sup> For the avoidance of doubt, this £100 fee does not apply in respect of the designation of a responsible individual notified to the JFSC as part of an application for registration as recognized auditor.

## **5 Late payment of fees**

- 5.1 If a recognized auditor fails to pay the whole or any part of a fee on or before the date it becomes due the recognized auditor shall be liable to pay, unless otherwise agreed by the JFSC, an additional late payment fee of 5% of the amount unpaid for each complete month it remains unpaid.

## **6 Late filing fees**

- 6.1 If a recognized auditor fails to file or deliver any document to the JFSC under the provisions of the Law or under the provisions of any Order issued in accordance with the Law on or before the date that the document becomes due, the recognized auditor shall be liable to pay a fee of £100 for each complete month or part thereof that the document remains unfiled or undelivered unless the recognized auditor has given the JFSC prior written notice of the reasons for the late filing or delivery of a document and the JFSC has agreed in writing that the filing may be late. Any such later agreed date shall become the due date for the purposes of the calculation and the payment of late filing fees.