



Memorandum

To:	AASB & FRSB members	Date:	8 March 2010
From:	Latif Oylan & Angus Thomson	Agenda Item:	B5.2
Subject:	NZ/Australia convergence – audit fee disclosure	File:	--

Action

Agree on proposed converged wording for requiring disclosure of audit fees.

Background

Each jurisdiction has specific disclosure requirements for auditor remuneration that are in addition to IFRS disclosures).

1. *Location of disclosures*

Paragraph NZ105.1 states that the disclosures can be “either on the face of the income statement or in the notes”, while AASB 101 is silent, which implies that disclosure in either the statements or notes is acceptable.

Staff recommend the NZ IAS 1 approach on the basis that the recent tendency in the IASB’s pronouncements has been to be more explicit about the location of disclosures.

2. *More than one parent auditor*

Paragraph NZ105.1 specifically acknowledges that there may be more than one auditor involved in the parent entity audit. Paragraphs Aus138.1 and Aus138.2 do not.

Staff recommend specifically acknowledging that there may be more than one auditor (the NZ IAS 1 approach) on the basis that this could be useful information for users.

3. *Separate versus group disclosures*

Both Standards specifically address separate disclosures regarding subsidiary auditors. Paragraphs Aus138.1 and Aus138.2 do so more comprehensively in relation to audit and non-audit fees.

Staff recommend dealing comprehensively with the disclosure of fees to subsidiary auditors (the AASB 101 approach) on the basis that this could be useful information for users.

4. *Related practice*

Paragraph Aus138(c) introduces the notion of a related practice, and paragraph Aus7.1 of AASB 101 defines ‘related practice’. NZ IAS 1 does not specifically have the same notion. The notion in AASB 101 may be seen as overly focused on ‘anti-avoidance’. Alternatively, it may be seen as helping to clarify the disclosure requirements.

On balance, staff recommend incorporating the notion of related practice (the AASB 101 approach), including the ‘related practice’ definition.

5. *Paid or payable*

Paragraph Aus138.1 requires disclosure of the amounts ‘paid or payable’ and NZ IAS 1 refers to ‘fees’, presumably for the period. The words ‘paid or payable’ can have different meanings to different people – some may see them as relating to the current period, others may think they imply whatever was paid and invoiced in that period.

On balance, staff recommend the NZ IAS 1 approach.

6. *Categories of services*

Paragraph NZ105.1(a) identifies four categories – financial statement audit fees; fees for assurance and related services; fees for tax compliance, tax advice, and tax planning services; and all other fees. Paragraphs Aus138.1 and Aus 138.2 identify three categories – audit or review fees; non-audit fees; and related practice fees.

On balance, staff recommend proposing the more comprehensive categorisation in NZ IAS 1 (in addition to separately identifying related practice fees – see 4. above).



Memorandum

NZ IAS 1	AASB 101	Recommended wording
<p>Paragraph NZ105.1</p> <p>An entity shall disclose either on the face of the income statement or in the notes, fees to auditors, disclosing separately fees to:</p> <p>(a) each (if more than one) auditor of the parent entity for:</p> <p>(i) audit fees being fees for the audit of the financial statements;</p> <p>(ii) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a)(i). An entity shall describe the nature of the services comprising the fees disclosed under this category; and</p> <p>(iii) tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of the services comprising the fees disclosed under this category; and</p> <p>(iv) all other fees being fees for other services other than those reported in paragraphs (a)(i) through (a)(iii). An entity shall describe the nature of the services comprising the fees disclosed under this category; and</p> <p>(b) any other auditor(s) of entities in the group (not</p>	<p>Paragraph Aus138.1</p> <p>An entity, other than a group, shall disclose the amounts paid or payable to:</p> <p>(a) the auditor of the entity for an audit or a review of the financial statements of the entity;</p> <p>(b) the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and</p> <p>(c) a <i>related practice</i> of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.</p> <p>Paragraph Aus138.2</p> <p>The following information shall be disclosed in relation to a group, the amounts paid or payable to:</p> <p>(a) the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;</p> <p>(b) the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;</p> <p>(c) a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by</p>	<p>An entity, other than a group, shall disclose either on the face of the income statement or in the notes fees to the auditor (each auditor if more than one) of the entity for:</p> <p>(a) audit fees being fees for the audit of the financial statements;</p> <p>(b) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a). An entity shall describe the nature of the services comprising the fees disclosed under this category;</p> <p>(c) tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of the services comprising the fees disclosed under this category;</p> <p>(d) all other non-audit fees for other services other than those reported in paragraphs (a) to (c). An entity shall describe the nature of the services comprising the fees disclosed under this category.</p> <p>(e) a <i>related practice</i> of the auditor (each auditor if more than one) for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.</p> <p>A group entity shall disclose either on the face of the income statement or in the notes fees for:</p> <p>(a) the auditor (each auditor if more than one) of the parent of the group, for an audit of the financial statements of any entity in the group;</p>

<p>including the parent entity) for audit fees being fees for the audit of the financial statements.</p>	<p>the auditor;</p> <p>(d) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus138.2(a), for an audit or a review of the financial statements of those subsidiaries;</p> <p>(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus138.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and</p> <p>(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.</p> <p>Paragraph Aus7.1</p> <p><i>Related practice</i> means in relation to the auditor's practice:</p> <p>(a) an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or</p> <p>(b) an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or</p> <p>(c) any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation.</p>	<p>(b) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a). An entity shall describe the nature of the services comprising the fees disclosed under this category;</p> <p>(c) the auditor (each auditor if more than one) of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;</p> <p>(d) a related practice of the auditor (each auditor if more than one) of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;</p> <p>(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus138.2(a), for an audit or a review of the financial statements of those subsidiaries; and</p> <p>(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus138.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.</p>
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