

30 September 2022

Carolyn Cordery  
Chair, New Zealand Accounting Standards Board  
External Reporting Board  
PO Box 11250  
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Via email: [accounting@xrb.govt.nz](mailto:accounting@xrb.govt.nz)

Dear Carolyn

**NZASB Exposure Draft 2022-9 - Disclosure of fees paid to audit firms - Proposed amendments to FRS-44 New Zealand Additional Disclosures and NZASB Exposure Draft 2022-10 - proposed amendments to PBE IPSAS 1 Presentation of Financial Reports**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world. We have around 2,700 members working in New Zealand. We thank you for the opportunity to comment on the above Exposure Drafts (EDs) and make this submission on behalf of our members and in the broader public interest.

We are supportive of regulatory reforms that strengthen public confidence in financial reports and strengthen trust in the accounting and auditing professions at large. We believe the proposed new disclosure requirements will enhance the quality, transparency, and consistency of disclosures of fees paid to audit firms.

Specifically, we are supportive of the disclosure of more granular information of fees paid to audit firms for non-audit services, and the nature of the services obtained. Whilst audit firms would have undertaken the necessary steps to ensure independence from the client in considering provision of any non-audit services, the transparency arising from the proposed disclosures is likely to add credibility to this process. From the perspective of those charge with governance, improved disclosures will also enable management to demonstrate accountability and stewardship to stakeholders.

In Australia, regulation of auditor independence requirements is governed by the *Corporation Act 2001*, Australian Auditing Standards and the Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board (APESB). In November 2020, the Parliamentary Joint Committee (PJC) on Corporations and Financial Services Inquiry [Regulation of auditing in Australia](#) made several recommendations directed at ensuring auditor independence and improving the visibility of auditor-client relationships .

These recommendations include:

- establishing defined categories and associated fee disclosure requirements in relation to audit and non-audit services
- establishing a list of non-audit services that audit firms are explicitly prohibited from providing to an audited entity

The Australian Accounting Standards Board (AASB) released [Research Report 15 on the Review of Auditor Remuneration Disclosure Requirements](#) as part of its plan to address the recommendations arising from the PJC inquiry on this matter. Whilst we await a government response to the recommendations arising from the PJC inquiry, we encourage the XRB to continue working closely with the AASB on their respective projects to seek cross-Tasman harmonisation.

The Attachment to this letter sets out our responses to the questions posed in the EDs. Unless otherwise specified, our comments address the proposed amendments outlined in both EDs. If you have any queries about this submission, contact Ram Subramanian, Senior Manager – Reporting and Audit Policy, on 03 9606 9755 or [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely,

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## Attachment

### **General disclosure requirement:**

- 1. Do you agree with the proposal to require the disclosure of fees incurred for services received from each audit or review firm, using specified categories as specified in paragraph 8.3 of the ED? [ED 2022-9].  
Do you agree with the proposal to require the disclosure of fees incurred for services received from each audit or review firm, using specified categories as specified in paragraph 116.3 of the ED? [ED 2022-10]**

We agree with the proposed disclosure categories of other services performed by the entity's audit/review firm as noted in para 8.3 (ED 2022-9) and para 116.3 (ED 2022-10). Further disaggregation of other services should improve the consistency and transparency of information disclosed about the fees paid to audit firms and allow users of financial statements to better evaluate the independence of the auditor. However, based on limited outreach we have conducted, our members have cautioned that in some circumstances the fee incurred on other services can be comparatively low to the point of being immaterial. Therefore, even if fees for non-audit services are being paid to audit firms, such disclosures may not always be made due to them not being material.

We note that para 8.3 (ED 2022-9) and para 116.3 (ED 2022-10) include a footnote that explains that the term audit or review firm includes network firms as well. For further clarity and harmonisation with the *Code of Ethics: Independence in Assurance Engagements*, similar to the approach taken in Australian Accounting Standards (AAS) (paragraph 10 of [AASB 1054- Australian Additional Disclosures](#)), we suggest this explanation be included in the paragraph itself, and not as a footnote. The AASB has also decided not to define or provide explanatory material for the term 'network firm' on the basis that the notion is generally well understood, and preparers and auditors are able to refer to the relevant equivalent ethical pronouncements.

To ensure greater clarity, CPA Australia proposes the following wording revisions to para 8.21(a) (ED 2022-9) and para 116.23(a)(ED 2022-10).

*(a) Internal control advisory services outside the scope of the financial report audit or review engagement.*

### **Description of categories and related guidance:**

- 2. Do you agree with the proposed description and guidance for services that would be disclosed under the category audit or review of the financial statements (ED paragraphs 8.9 – 8.16)? [ED 2022-9]  
Do you agree with the proposed description and guidance for services that would be disclosed under the category audit or review of the financial reports (ED paragraphs 116.11 – 116.18)? [ED 2022-10]**

We agree with the proposed description and guidance set out in paras 8.9 - 8.16 (ED 2022-9) and paras 116.11 – 116.18 (ED 2022-10).

- 3. Do you agree with the proposed description and guidance for services that would be disclosed under the category audit or review related services (ED paragraphs 8.17 – 8.22)? [ED 2022-9]  
Do you agree with the proposed description and guidance for services that would be disclosed under the category audit or review related services (ED paragraphs 116.19 – 116.24)? [ED 2022-10]**

We agree with the proposed description and guidance.

- 4. Do you agree with the proposed description and guidance for services that would be disclosed under the category other assurance services (ED paragraphs 8.23 – 8.27)? [ED 2022-9]  
Do you agree with the proposed description and guidance for services that would be disclosed under the category other assurance services (ED paragraphs 116.25 – 116.29)? [ED 2022-10]**

We agree with the proposed description and guidance set out in paras 8.23 - 8.27 (ED 2022-9) and paras 116.25 – 116.29 (ED 2022-10).

5. Do you agree with the proposed description and guidance for services that would be disclosed under the category taxation services (ED paragraphs 8.28 – 8.31)? [ED 2022-9]

Do you agree with the proposed description and guidance for services that would be disclosed under the category taxation services (ED paragraphs 116.30 – 116.33)? [ED 2022-10]

We agree with the proposed guidance set out in the ED paras 8.28-8.31(ED 2022-9). We suggest changing the term “taxation service” to “tax compliance services” to make it distinct.

CPA Australia is generally supportive of the proposed description and guidance for services that would be disclosed under the category of taxation services. However, we suggest the footnote to para 8.30 (ED 2022-9) and para 116.32 (ED 2022-10) which makes reference to PES 1 *Professional and Ethical Standard 1* (PES 1) and includes requirements that prohibit a firm and network firm from providing certain tax services to audit or review clients in certain circumstances, be added as a paragraph in the body of the standard. It should not be in a footnote. In our view, the prohibition requirements in PES 1 are sufficiently important to warrant more prominent placement in the ED.

6. Do you agree with the proposed description and guidance for services that would be disclosed under the category other services (ED paragraphs 8.32 – 8.35 )? [ED 2022-9]

Do you agree with the proposed description and guidance for services that would be disclosed under the category other services (ED paragraphs 116.34 – 116.37 )? [ED 2022-10]

We agree with the proposed guidance set out paras 8.32-8.35 (ED 2022-9). We suggest changing the term “other services” to “other non-assurance services” to make it more understandable, and clearer. Consistent with our view in response to Question 5 above, we suggest the footnote reference to PES 1 in para 8.34 (ED 2022-9) and para 116.36 (ED 2022-10) be added as a paragraph and not as a footnote.

***Disclosure about managing possible threats to auditor or reviewer independence:***

7. Do you agree with the proposal that when an entity incurs fees for taxation services or other services it shall disclose Information about how it identifies, evaluates, and mitigates the possible threats to auditor or reviewer independence that might arise from the provision of these services (ED paragraphs 8.31 and 8.35)? [ED 2022-9]
- Do you agree with the proposal that when a Tier 1 entity incurs fees for taxation services or other services it shall disclose Information about how it identifies, evaluates, and mitigates the possible threats to auditor or reviewer independence that might arise from the provision of these services (ED paragraphs 116.33 and 116.37)? [ED 2022-10]

We agree with the proposed disclosures set out in paras 8.31 and 8.35 (ED 2022-9) and paras 116.33 and 116.37 (ED 2022-10). The proposed disclosures will add credibility to the assessment made by the audit firm in ensuring their independence if/when providing non-audit services.

***Reduced disclosure regime:***

8. Do you agree that, except for the disclosure requirements in ED paragraphs 8.31 and 8.35, there should be no other disclosure concession for Tier 2 entities? [ED 2022-9]
- Do you agree that, except for the disclosure requirements in ED paragraphs 116.33 and 116.37, there should be no other disclosure concession for Tier 2 entities? [ED 2022-10]

Yes, we agree. Please also see our response to Question 7 above.

***Effective date:***

9. Do you agree to an effective date of accounting periods commencing on or after 1 January 2024 (with earlier adoption permitted)?

No comment.

***Other comments:***

10. Do you have any other comments on the proposed enhanced disclosure requirements in the accompanying ED?

We note there are inconsistencies with the use of the term fees ‘paid’ in some situations, and the term fees ‘incurred’ in other situations. For example, para 8.36 (ED 2022-9) refers to fees ‘paid’ whilst all the other paragraphs in the ED refer to fees ‘incurred’. We also observe that, although the paragraphs itself refers to fees ‘incurred’, the headings refer to fees ‘paid’. We suggest the XRB review the use of terminology and ensure a consistent approach, as there appears to be a difference between fees ‘paid’ and ‘incurred’ as defined in para 8.5 (ED 2022-9) and para 116.8 (ED 2022-10).

To ensure greater clarity and completeness, CPA Australia suggests that examples of services listed in para 8.16 (ED 2022-9) and para 116.18 (ED 2022-10) respectively, be mapped to the relevant non-audit or review services to which these relate and that they be included as examples of services under those other categories. For example, it is currently unclear to which category 'Consulting engagements regarding the implementation of new accounting standards and reporting requirements' and 'Risk management advisory services' should be allocated.