

Online/email Feedback on NZASB EDs Disclosure of Fees Paid to Audit Firms

Received from	Feedback received
Tom Scott, AUT	<p>I agree with questions 1-6 and 8-9.</p> <p>In regarding 7, my view is that the disclosure about managing possible threats to independence will be a boilerplate and thus not useful to users of the financial statements.</p> <p>In regards to 10, other comments on the proposed enhanced disclosure requirements in the accompanying ED OI would like to increase the disclosure of remuneration advisors/compensation consultants – those hired to design executive compensation plans and provide independent recommendations on pay packages</p> <p>The Australian Treasury’s Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011 requires all Australian listed companies to disclose details of compensation consultants used for fiscal years ending after 1 July 2011. Under Section 300A (h) of the Corporations Act 2001 the company must disclose (1) the name of the compensation consultant, (2) an overview of the work completed relating to the pay recommendation, (3) a description of other services provided by the consultant, (4) fees paid to the consultant for compensation and other non-compensation related services and (5) a statement confirming the independent nature of the recommendation by the compensation consultant and Board of Directors.</p> <p>NZ does not have the same disclosure requirements. Why is this important? In Australia, 27% of compensation consultants are a Big 4 accounting firm - relative to a negligent percentage in the US. Although there is no clear NZ data it would be prudent to assume we follow Australia. Although the compensation consultant is not also the auditor, and the firms may have offered compensation consulting as an additional service to a client the concern is that by the firm setting the CEOs pay may create a threat to independence for a future auditor.</p>