

For Board discussion purposes only

**Extracts of specific provisions in Section 410
of the proposed Fees exposure draft**

Proposed Amendments to Fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

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PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 410

FEES

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Public Disclosure of Fee-related Information

410.29 A1 In view of the public interest in the audits of **Public Interest Entities**, it is beneficial for stakeholders to have visibility about the professional relationships between the **Firm** and the **Audit Client** which might reasonably be thought to be relevant to the evaluation of the **Firm's Independence**. In a wide number of jurisdictions, there already exist requirements regarding the disclosure of fees by an **Audit Client** for both audit and services other than audit paid and payable to the **Firm** and **Network Firms**. Such disclosures often require the disaggregation of fees for services other than audit into different categories.

AUST 410.29.1 A1 Firms should consider the following categories of services for making disclosures in relation to fees received or receivable for Professional Services provided to Audit Clients:

(a) Audit services - which includes:

- Audit Engagements and audits of Related Entities for Audit Clients that are Public Interest Entities;
- Audit Engagements and audits of Related Entities for which the Audit Client has direct or indirect control; and
- Review Engagements in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

(b) Audit-related services - which are services provided by members of the Audit Team that is closely related to work performed for audit services in (a) above, such as:

- Reporting required to be provided by the external auditor by laws or regulations;
- Reviews of interim financial information;
- Reporting on regulatory returns (for example, reporting to the Australian Prudential Regulation Authority, or the auditor's report to ASIC on an Australian Financial Services licensee using Form FS 71);
- Reporting to a regulator on client assets;
- Reporting on government grants;
- Reporting on internal financial controls when required by law or regulation; and
- Additional audits or reviews performed on financial information and/or financial controls that have been authorised by Those Charged with Governance.

(c) Other assurance services - comprise all Assurance Engagements other than (a) and (b) above. For example:

- audit and other services relating to public reporting as a reporting or investigating accountant on financial or other information of the audited entity in an investment circular or prospectus;
- services, including private reporting that are customarily performed by the reporting or investigating accountant to support statements and disclosures

made by the directors, in a prospectus or investment circular or, to support confirmations provided by the sponsor or nominated advisor; and

- audit and other assurance services relating to public reporting on other information issued by the entity, such as reports on information in the front of annual reports not covered by the auditor's report on the financial statements.

(d) Taxation Services - which comprises any Professional Activities performed by a Member relating to ascertaining a client's tax liabilities or entitlements or satisfying their obligations under taxation law, provided under circumstances where they can reasonably expect to rely on the Professional Activities. This includes:

(i) preparation of a return, notice, statement, application or other document for lodgement with a revenue authority, and responding on behalf of a client to the revenue authority's requests for further information;

(ii) Subject to the prohibition in paragraph R604.10, preparation of tax calculations to be used as the basis for the accounting entries in the financial statements;

(iii) provision of tax planning and other tax advisory services; and

(iv) assisting a client in the resolution of tax disputes; and

(e) Other services - which comprise any service not covered in (a) –(d) above.

R410.30 If laws and regulations do not require an **Audit Client** to disclose audit fees,¹ fees for services other than audit paid or payable to the **Firm** and **Network Firms** and information about fee dependency, the **Firm** shall discuss with **Those Charged with Governance** of an **Audit Client** that is a **Public Interest Entity**:

- The benefit to the client's stakeholders of the client making such disclosures that are not required by laws and regulations in a manner deemed appropriate, taking into account the timing and accessibility of the information; and**
- The information that might enhance the users' understanding of the fees paid or payable and their impact on the **Firm's Independence**.**

410.30 A1 Examples of information relating to fees that might enhance the users' understanding of the fees paid or payable and their impact on the **Firm's Independence** include:

- Comparative information of the prior year's fees for audit and services other than audit.
- The nature of services and their associated fees as disclosed under paragraph R410.31(b).
- Safeguards applied when the total fees from the client represent or are likely to represent more than 15% of the total fees received by the **Firm**.

¹ Refer to sections 300 (11B) to (11E) of the *Corporations Act 2001* for requirements imposed on **Those Charged with Governance** in Australia in relation to disclosures relating to audit fees and auditor **Independence**. In addition, AASB 1054 *Australian Additional Disclosures* and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* also sets out requirements in relation to the disclosure of audit fee information.

R410.31 After the discussion with **Those Charged with Governance** as set out in paragraph R410.30, to the extent that the **Audit Client** that is a **Public Interest Entity** does not make the relevant disclosure, subject to paragraph R410.32, the **Firm** shall publicly disclose:

- (a) Fees paid or payable to the **Firm** and **Network Firms** for the audit of the **Financial Statements on which the Firm will express an Opinion**;
- (b) Fees, other than those disclosed under (a), charged to the client for the provision of services by the **Firm** or a **Network Firm** during the period covered by the **Financial Statements on which the Firm will express an Opinion**. For this purpose, such fees shall only include fees charged to the client and its **Related Entities** over which the client has direct or indirect control that are consolidated in the **Financial Statements on which the Firm will express an opinion**;
- (c) Any fees, other than those disclosed under (a) and (b), charged to any other **Related Entities** over which the **Audit Client** has direct or indirect control for the provision of services by the **Firm** or a **Network Firm** when the **Firm** knows, or has reason to believe, that such fees are relevant to the evaluation of the **Firm's Independence**; and
- (d) If applicable, the fact that the total fees received by the **Firm** from the **Audit Client** represent, or are likely to represent, more than 15% of the total fees received by the **Firm** for two consecutive years, and the year that this situation first arose.

410.31 A1 The **Firm** might also disclose other information relating to fees that will enhance the users' understanding of the fees paid or payable and the **Firm's Independence**, such as the examples described in paragraph 410.30 A1.

410.31 A2 Factors the **Firm** might consider when making the determination required by paragraph R410.31(c) are set out in paragraph 410.26 A1.

410.31 A3 When disclosing fee-related information in compliance with paragraph R410.31, the **Firm** might disclose the information in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders, for example:

- On the **Firm's** website.
- In the **Firm's** transparency report.
- In an audit quality report.
- Through targeted communication to specific stakeholders, for example a letter to the shareholders.
- In the auditor's report.

R410.32 As an exception to paragraph R410.31, the **Firm** may determine not to publicly disclose the information set out in paragraph R410.31 relating to:

- (a) A parent entity that also prepares group **Financial Statements** provided that the **Firm** or a **Network Firm** expresses an opinion on the group **Financial Statements**; or

- (b) An entity (directly or indirectly) wholly-owned by another **Public Interest Entity** provided that:
 - (i) The entity is consolidated into group **Financial Statements** prepared by that other **Public Interest Entity**; and
 - (ii) The **Firm** or a **Network Firm** expresses an opinion on those group **Financial Statements**.

Considerations for Review Clients

R410.33 This section sets out requirements for a **Firm** to communicate fee-related information of an **Audit Client** that is a **Public Interest Entity** and to disclose publicly fee-related information to the extent that the client does not disclose such information. As an exception to those requirements, the **Firm** may determine not to communicate or pursue disclosure of such information where a **Review Client** is not also an **Audit Client**.