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Contact Cook, Jeff A (+61 2 9335 7487)

27 August 2021

Dear Channa,

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

We are pleased to have the opportunity to provide comments on the Australian Professional and Ethical Standards Board's Exposure Draft (ED) 03/21 on proposed amendments to the fee-related provisions of the APES 110 Code of Ethics for Professional Accountants.

KPMG is generally supportive of initiatives to enhance the disclosures in relation to fees received by auditors from their public interest entity audit clients. In response to your request for Specific Comments KPMG's response is structured as:

- recommendation in relation to the overall application in practice of AUST 410.29.1 A1, in particular the need for consistency with the Australian Accounting Standards Board's '[Auditor Remuneration Disclosures](#)' project; and
- recommendation in relation to specific elements of the AUST paragraphs.

## **Our Comments**

### Paragraph AUST 410.29.1 A1

1. KPMG is mindful of the Australian Accounting Standards Board's '[Auditor Remuneration Disclosures](#)' project in relation to AASB 1054 *Australian Additional Disclosures* to enhance auditor remuneration disclosures in the financial report. KPMG understands the AASB's timeline for finalising and issuing its revised Standard is December 2021. In that context, KPMG questions the appropriateness of the APES Board revising APES 110 to standardise fee disclosures at this time. In particular, KPMG is concerned that if the AASB adopts a different position regarding auditor remuneration disclosure:

- it may result in confusion and inconsistent approaches and applications in practice; and
- as guidance, the APES 110 guidance would be subordinate to the AASB's requirements.

In support of audit quality, the content of APES 110 should be consistent with the final AASB 1054 Standard to avoid confusion and inconsistent application in practice.

### Paragraph AUST 410.29.1 A1(a)

2. For paragraph (a), the entities to which the categorisation of services apply is determined by the inclusion of the defined term Audit Client in the lead in to AUST 410.29.1 A1. We therefore consider that paragraph (a) can be simplified to 'Audit services – which includes Audit Engagements and Review Engagements.
3. We consider it appropriate for 'Reporting required to be provided by the external auditor by laws or regulations' to be reclassified from 'Audit-related services' to 'Audit services'. Given the services are required by law or regulation, and are required to be provided by the external auditor, we consider it logical and appropriate that they be treated in the same manner as Audit Engagements and Review Engagements from an independence perspective and hence a fee disclosure perspective.

Paragraph AUST 410.29.1 A1(b)

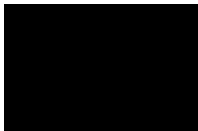
4. The wording could be revised to clearly articulate the classification captures services other than the services noted in paragraph AUST 410.29.1 A1(a).
5. It is unclear how “Reviews of interim financial information” differ from review engagements mentioned in AUST 410.29.1.A1(a). This may result in inconsistent application in practice. We recommend further clarification is provided for users to enable them to determine the different types of review engagements being referred to in paragraph AUST 410.29.1.A1(a) and this paragraph. Alternatively, “Reviews of interim financial information” could be reclassified as Audit services.

Paragraph AUST 410.29.1 A1(c)

6. Consider including examples for other assurance services, such as those required under contractual arrangements, for example “assurance on revenue information relevant to a royalty agreement”, or in relation to sustainability reporting.

We welcome the opportunity to discuss any of the above responses further. Should you have any questions please contact me on (02) 9335 7487 or Andrew Bryant on (03) 9288 6036 when convenient.

Yours sincerely,



Jeff Cook  
Ethics and Independence Partner