

22 September 2022

Accounting Standards Team

External Reporting Board

**WELLINGTON**

Via email [accounting@xrb.govt.nz](mailto:accounting@xrb.govt.nz)

### **SUBMISSION ON DISCLOSURE OF FEES PAID TO AUDIT FIRMS PROPOSED AMENDMENTS**

#### **Overall Comments**

Thank you for the opportunity to comment on the Consultation Papers, *FRS-44 Proposed amendments to FRS-44 New Zealand Additional Disclosures* and *PBE IPSAS 1 Proposed amendments to PBE IPSAS 1 Presentation of Financial Reports* ("Proposed amendments"). Overall, we support the proposed amendments as we consider that the enhanced disclosures that will result from these amendments are likely to improve transparency in relation to any additional services provided by audit firms, which will provide useful information to users and may help to improve auditor independence.

We have included our responses to the specific questions raised in the Consultation Papers in Appendix 1. Information about the Baker Tilly Staples Rodway network is provided in Appendix 2.

We hope the comments contained in our submission are useful. If you would like to discuss any of these comments please contact me.

Kind regards

**Nicola Hankinson CA**  
**National Technical Director**  
**Baker Tilly Staples Rodway New Zealand**

## Appendix 1: Responses to specific questions in the Consultation Paper

### 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?*

Yes, we agree. While it is possible that some of the non-audit or review services are related to the audit, the requirement to include a description of each type of service received and the corresponding fees incurred will allow reporting entities to explain this if this is the case. The most common example of this would be interim financial statement review engagements, which are generally provided by the financial statement auditor. We consider it would be useful if the NZAuASB could include within the updated standards or associated guidance clarification of whether interim financial statement reviews should be included in the "Audit or review of the financial statement" category or the "Audit or review related services" category.

### 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)?*

Yes.

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)?*

Yes.

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)?*

Yes.

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)?*

Yes.

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)?*

Yes.

### 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 the auditor or reviewer independence that might arise from the provision of these services (ED paragraphs 8.31 and 8.35)?*

Yes.

### 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?*

Yes.

**Effective date**

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

Yes.

**Other comments**

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

We consider that this is a positive initiative to enhance transparency regarding the provision of other services to audited entities.

We also consider the flowchart of disclosure requirements is likely to be useful. One suggestion we have is to include the Tier 1 disclosure requirements in para 8.31 and 8.35 of the ED in the flowchart, outlining the requirements to disclose information about how entities identify, evaluate and mitigate the possible threats to auditor or reviewer independence that might arise from the provision of taxation services or other services. There is a risk that Tier 1 entities may inadvertently omit including such disclosures if they follow the flowchart to guide their disclosures. It may be possible to include a footnote in the *Taxation services* and *Other services* boxes to remind preparers of these additional disclosure requirements.

Our final point is that we agree with the conclusion reached in BC15 - we consider it is appropriate to follow developments in Australia and internationally in relation to disclosure requirements for audit tenure.

**Appendix 2: About Baker Tilly Staples Rodway**

Baker Tilly Staples Rodway is an association of independent accounting firms, located in Auckland, Waikato, Tauranga, Hawke's Bay, Taranaki, Wellington and Christchurch. Baker Tilly Staples Rodway is a full-service accounting and business advisory firm with a strong reputation for providing quality advice to privately owned, corporate and public sector organisations.

Baker Tilly Staples Rodway provides cross-border services through our international affiliated firms, including Pitcher Partners in Australia and the Baker Tilly International network.