



KPMG Centre  
18 Viaduct Harbour Ave  
PO Box 1584  
Auckland 1140  
New Zealand  
T: +64 9 367 5800

The New Zealand Accounting Standards Board  
PO BOX 11250  
Manners St Central  
Wellington 6142

30 September 2022

To Whom it may concern

***Invitation to comment - NZASB Exposure Draft 2022-9 Proposed amendments to FRS-44 New Zealand Additional Disclosures***

KPMG welcomes the opportunity to provide comments on the proposed amendments to FRS-44. Our responses are included below and are also applicable to the proposed NZASB Exposure Draft 2022-10 amendments to PBE IPSAS 1 *Presentation of Financial Reports*.

A distinguishing mark of the audit profession is its acceptance of the responsibility to act in the public interest. Both independence of mind and independence in appearance are necessary for the auditor to express a conclusion free from bias, conflict of interest, and undue influence. A breach of the independence requirements can influence investors' trust of the audit, and therefore auditor independence is important in underpinning the integrity of financial markets and accordingly have appropriate controls and disclosures to comply with the accounting standards, lowering the risk of non-compliance.

Overall, we support the amendments to FRS-44 and PBE IPSAS 1. However, we would like to take this opportunity to highlight one issue identified in our review of Exposure Draft 2022-9.

Responses to consultation questions:

**Question 1 to 7, and 9**

Yes, we agree with the proposal specified in the ED.

**Question 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, we agree there should be no other disclosure concession for Tier 2 entities. We note the users of Tier 2 financial statements are typically limited and are usually closer to the financial statement preparation. Also, without this concession, this requirement may cover much more entities in the market where critical independence assessment is less relevant to the users. The concession is also consistent with the approach of the overall Tier 2 framework.



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

We agree with the principal objective of the proposed amendments, to provide sufficient and useful information about auditor independence.

We note the ED clarifies a method to be used to determine which fee should be disclosed – a function of fees 'incurred' in the reporting period (ED paragraphs 8.3). Audit services for a specific reporting period are incurred both before and after the reporting period subject to audit. This means that audit fees related to the current reporting period may only be reported in the incurred fees for the following reporting year. Additionally the incurred fees may include audit fees related to the previous reporting period. Likewise non-audit services provided between the reporting date and the date of the auditor's report may be excluded which would not be a complete and accurate record of an audit firm's engagement fees for that reporting period.

The assessment of independence by the auditor and Board/Audit Committee is based on the period beyond the reporting period, being the period covered by both the engagement period and the period covered by the financial statements (PES 1 paragraph R400.30). We consider the proposed amendments should align with PES 1 where possible to ensure that the scope of audit and non-assurance services are appropriately identified in the correct reporting period.

This is an opportunity to review and align with PES 1 to achieve the objectives of the proposed amendments - to require disclosure of total audit fees and non-audit services relevant to the reporting period provided in both the engagement period and the period covered by the financial statements. If the NZASB are in agreement with this view, we see need to provide clear guidance that the disclosure is to cover both fees incurred during both the engagement period and during the period covered by the financial statements as defined under PES 1 paragraph R400.30. We also suggest potentially including a specific paragraph that disclosure under paragraph 8.3 is not a direct representation of the entity's accounting records (i.e. amount incurred does not agree to the disclosure in the financial statements), instead it is a summary of fees incurred during the relevant independence period, being both the engagement period and the period covered by the financial statements.

Yours sincerely

**Darby Healey**

Partner