



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

XRB webinar: Spotlight on the disclosure of fees paid to audit firms

Overview of the new amending standards:
Disclosure of Fees for Audit Firms' Services

29 June 2023

Webinar Overview

- Introduction
- Why were the amendments introduced?
- Overview of the amendments
- Questions

XRB presenters:

- Anthony Heffernan – Director of Accounting Standards
- Gali Slyuzberg – Senior Project Manager, Accounting Standards

Guest presenter:

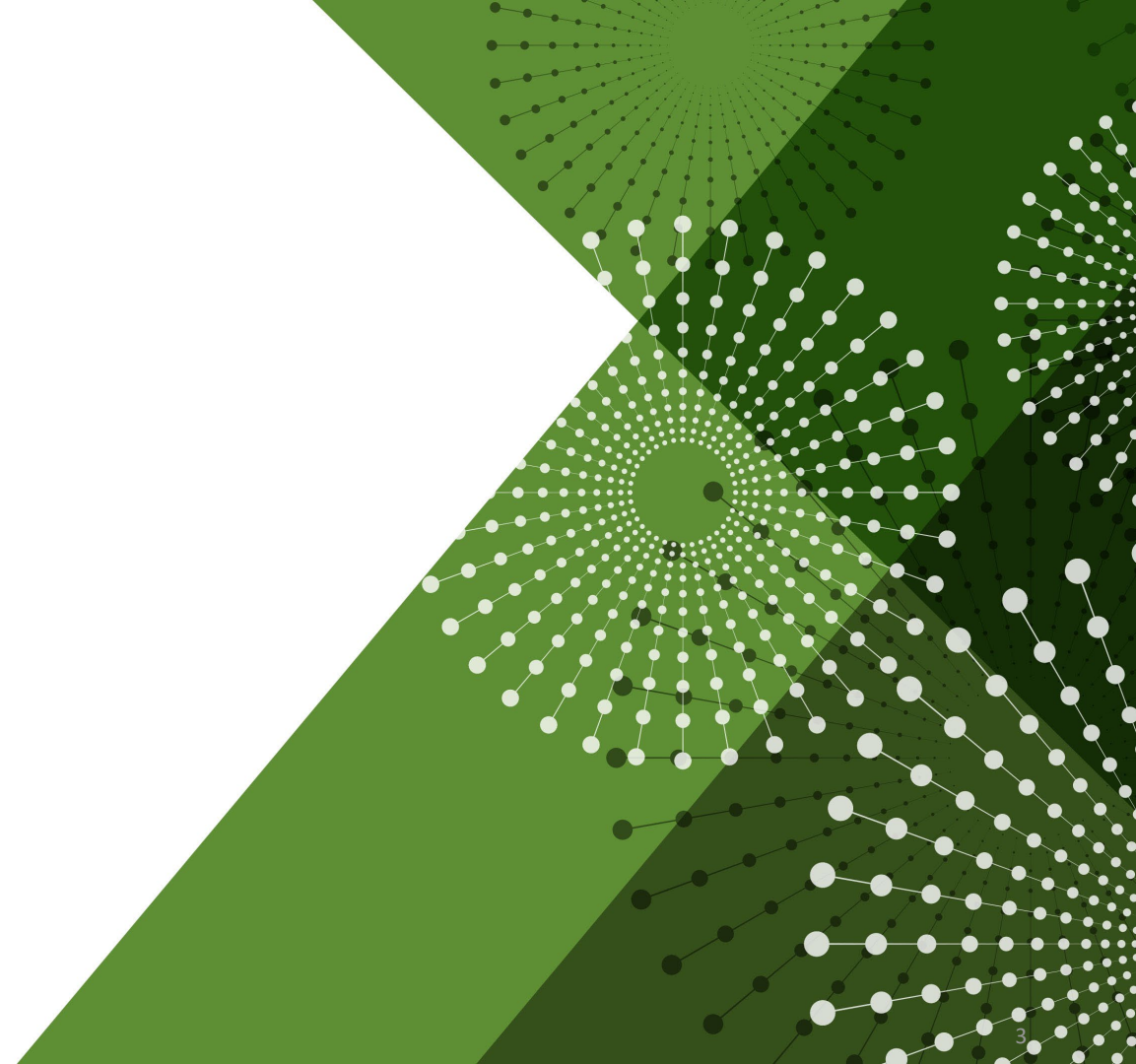
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Introduction



Introduction

At a glance

Amending standards issued in May 2023:

Disclosure of Fees For Audit Firms' Services (Amendments to FRS-44)

Tier 1 and 2 for-profit entities

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)

Tier 1 and 2 PBEs

Amendments introduce **enhanced disclosure requirements** about **fees** incurred for **services** provided by the entity's **audit or review firm** – to **improve transparency and consistency**

Amendments apply to periods beginning on or after **1 January 2024** – comparative required

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Disclosure of Fees for Audit Firms' Services

(Amendments to PBE IPSAS 1)

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Disclosure of Fees for Audit Firms' Services

(Amendments to FRS-44)

Issued May 2023



Issued May 2023



Key disclosure requirements:

Fees for audit firms' services

- 8.1 Paragraph 8.3 requires an entity to disclose information about the fees incurred in the reporting period for:
- (a) the audit or review of the entity's financial statements; and
 - (b) each other type of service provided by the entity's audit or review firm.
- 8.2 The objective of this disclosure is to provide information that will assist users of general purpose financial statements to assess the extent to which non-audit services¹ have been provided by the entity's audit or review firm in the reporting period.
- 8.3 An entity shall disclose the fees incurred for services received from each audit or review firm², separately for:**
- (a) the audit or review of the financial statements (see paragraphs 8.9 – 8.15);**
 - *(b) each type of other service performed by the entity's audit or review firm during the reporting period, using the following categories:**
 - (i) audit or review related services (see paragraphs 8.17 – 8.22);**
 - (ii) other assurance services and other agreed-upon procedures engagements (see paragraphs 8.23 – 8.27);**
 - (iii) taxation services (see paragraphs 8.28 – 8.30); and**
 - (iv) other services (see paragraphs 8.32 – 8.34).**

RDR 8.3A Tier 2 entity shall disclose the total fees incurred for services other than the audit or review of the financial statements provided by the entity's audit or review firm, and a general description of these services.

Why were the amendments introduced

Need for improvement

Old disclosure requirements in FRS-44 and PBE IPSAS 1:

- Disclose fees to each auditor reviewer, including any network firm separately for:
 - (a) The audit or review of the financial statements; and
 - (b) All other services performed during the reporting period.
- Describe the nature of other services.

Tier 2 exempt from the above disclosures

Issue: NZ stakeholders highlighted concerns about the adequacy and consistency of the disclosures about fees paid to audit or review firms – they called for **improved transparency and consistency of disclosures**

Also: **Australia** commenced a project to enhance fees paid to audit firms for non-audit services

Proposed improvements

Consultation on Exposure Drafts

In 2022, we published the Exposure Drafts *Disclosure of Fees Paid to Audit Firms*

Feedback indicated overall support for the objectives of the proposals

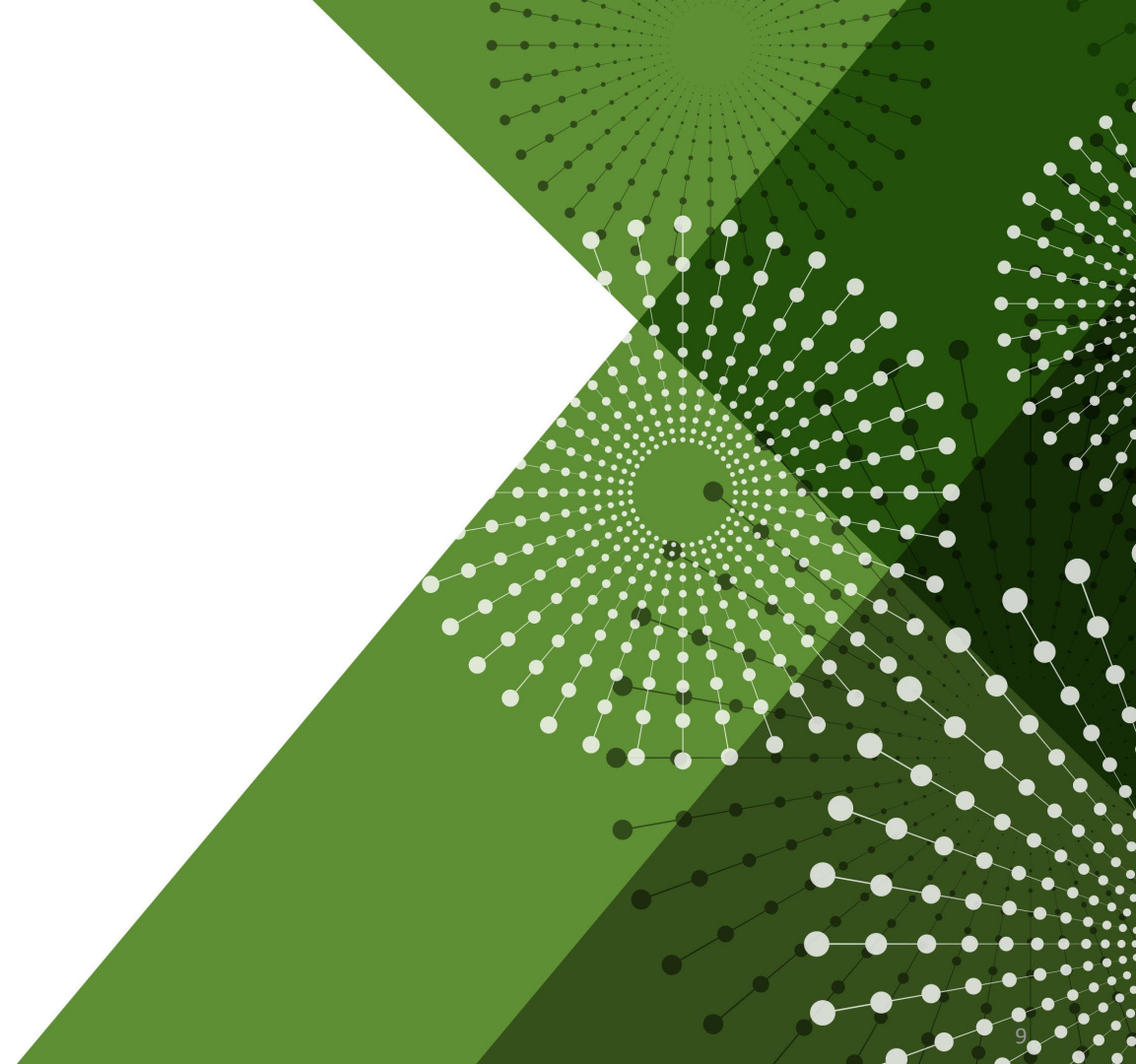
Respondents generally supported the proposed categories of fees to be disclosed

But: Some respondents requested further clarifications and refinements

In response to feedback received, we have

- Clarified the classification of agreed upon procedure engagements (AUPs) and assurance engagements
- Removed proposed disclosure on mitigating possible threats to auditor independence
- Expanded Tier 2 disclosure concessions

Overview of the amendments



Overview of amendments

Disclose fees incurred in the reporting period for services received from audit or review firm, using specified categories:

Audit or Review of the Financial Statements

Other non-audit and non-review services:*

Audit or review related services

Other assurance services and other agreed-upon procedures engagements

Taxation services

Other services

provide a **description of each type** of service received and the total **fees** incurred

* Some disclosure concessions provided for Tier 2

Overview of amendments

Disclose fees incurred in the reporting period for services received from audit or review firm, using specified categories:

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Audit or review of the financial statements

Audit or Review of the Financial Statements

Includes fees for the audit or review of the general purpose financial statements/report -- including fees for the audit/review of:

- The annual financial statements/report
- The interim financial statements/report

PBEs: Fees include the audit/review of service performance information

Overview of amendments

Disclose fees incurred in the reporting period for services received from audit or review firm, using specified categories:

Audit or Review of the Financial Statements

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provide a **description of each type** of service received and the total **fees** incurred

Audit or Review Related Services

This category includes services provided by the audit or review firm that are:

- Services that are **closely related** to the work performed as part of the **financial statement audit or review** engagement, but which are not required to complete the audit or review engagement; **and/or**
- Services where it is **reasonable to expect** the services to be **carried out by the entity's financial statements auditor or reviewer**

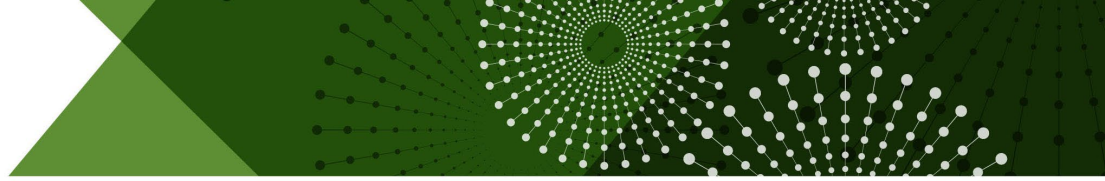
Can include

- **assurance** engagements
- **agreed-upon procedures** engagements
- **other non-assurance** engagements

... provided that the **nature of the service** meets the **description** of this category

Classification in this category is based on the nature of the service – judgement may be required

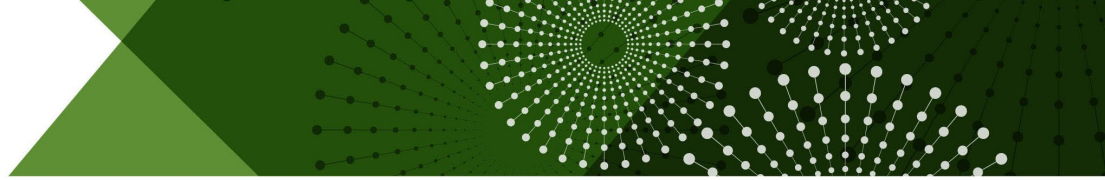
Audit or Review Related Services



Examples could include:

- Engagements concerning summary financial statements or forecast financial statements
- Reporting on whether processes, procedures, and controls relating to the financial reporting systems are suitably designed and operating effectively
- Assurance engagements on solvency returns for insurance entities
- Agreed-upon procedures engagements that meet the description of 'audit or review related services' – could include on reporting on banking covenant calculations and reporting on the use of grant funding

Audit or Review Related Services



Required disclosures:

For **each type of service** in this category

Describe the **nature** of the type of service and **disclose** the **total fee**

Specify whether each type of service is:

- (a) assurance engagement;
- (b) agreed-upon procedures engagement;
- (c) other non-assurance engagement

Overview of amendments

Disclose fees incurred in the reporting period for services received from audit or review firm, using specified categories:

Audit or Review of the Financial Statements

Other non-audit and non-review services:*

Audit or review related services

Other assurance services and other agreed-upon procedures (AUP) engagements

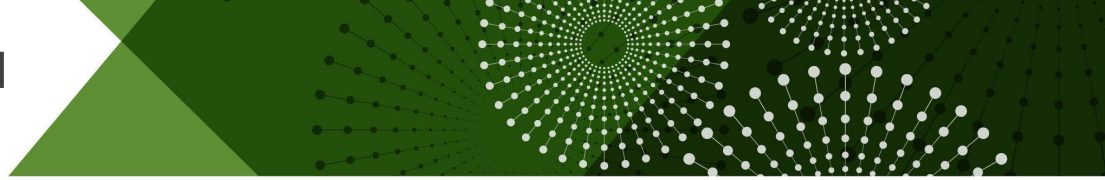
Taxation services

Other services

provide a **description of each type** of service received and the total **fees** incurred

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Other assurance services and other AUP engagements



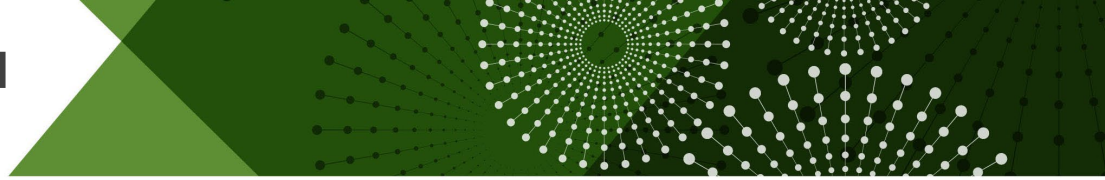
This category includes:

- Any **assurance services** and any **AUP engagements** provided by the audit or review firm which have **not been classified** as audit or review related services' (and are not part of the audit or review of the financial statements)

Example could include:

- assurance engagements on greenhouse gas statements/ other sustainability reports that are not part of the financial statements
- assurance engagements on adherence to cyber/cloud security procedures
- those agreed-upon procedures engagements that are not considered to be 'audit or review related services' – an example could be reporting on health and safety.

Other assurance services and other AUP engagements



Required disclosures:

For **each type of service** in this category

Describe the **nature** of the type of service and **disclose** the **total fee**

Specify whether each type of service is:

- (a) assurance engagement; or
- (b) agreed-upon procedures engagements

Overview of amendments

Disclose fees incurred in the reporting period for services received from audit or review firm, using specified categories:

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Taxation services

This category includes:

- services relating to **ascertaining the entity's tax liabilities** (or entitlements) or **satisfying other obligations under taxation law**
- Category excludes review of tax balances or disclosures as part of performing the audit or review of the general purpose financial statements.

Examples include:

- tax return preparation;
- tax calculations to prepare accounting entries;
- transfer pricing services;
- tax planning and other tax advisory services;
- tax services involving valuations; and
- assistance in the resolution of tax disputes.

Professional and ethical standards specify which services the audit/review firm can or cannot provide

Disclosures:

- **Describe** the **nature** of **each type** of service
- **Disclose** the **total fee** for **each type** of service

Overview of amendments

Disclose fees incurred in the reporting period for services received from audit or review firm, using specified categories:

Audit or Review of the Financial Statements

Other non-audit and non-review services:*

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Taxation services

Other services

provide a **description of each type** of service received and the total **fees** incurred

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Other services

This category includes:

Any other services provided by the audit or review firm that are not classified under the previously mentioned categories

Disclosures:

- **Describe** the **nature** of **each type** of service
- **Disclose** the **total fee** for **each type** of service

Examples of other services include:

- accounting and bookkeeping;
- administration;
- valuations (including actuarial valuations);
- internal audit;
- information technology (including financial information systems);
- litigation support;
- legal;
- recruitment and remuneration;
- corporate finance and restructuring; and
- business acquisition due diligence.

Professional and ethical standards specify which services the audit/review firm can or cannot provide

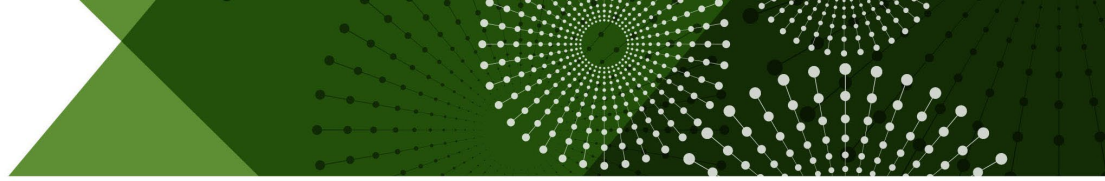
Illustrative Example

Fees incurred for services provided by the audit firm

	2024	2023
Audit or review of the financial statements	xxx	xxx
Audit or review related services		
Review of adequacy of financial reporting systems and controls (assurance engagement)	xxx	xxx
Reporting on use of grant funding (AUP engagement)	xxx	xxx
Reporting on debt covenant calculations (AUP engagement)	xxx	xxx
Total	xxx	xxx
Other assurance services and other AUP engagements		
Adherence to cyber security procedures (assurance engagement)	xxx	xxx
Health and Safety (AUP engagement)	xxx	xxx
Total	xxx	xxx
Total fees incurred for services provided by the audit firm	xxx	xxx

Example assumes that the audit firm did not provide any services classified as Taxation Services or Other Services

Tier 2 disclosure concessions

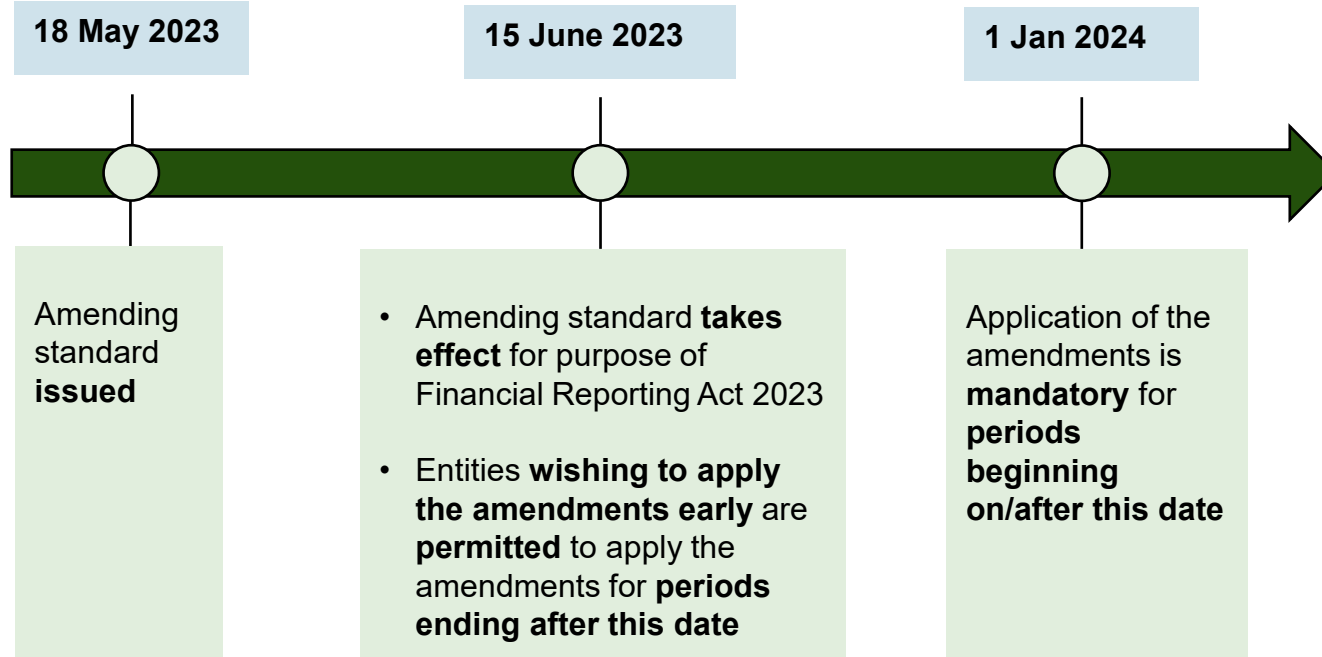


Disclosure concessions for Tier 2 entities:

Tier 2 entities are required to disclose:

- Fees incurred for the **audit or review of the financial statements**; and
- **Total fees** incurred for **services other than the audit or review of the financial statements** provided by the **entity's audit or review firm** – and a **general description** of these services

Commencement and application



Comparative are required

Questions?



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