



<b>Project:</b>	<b>Auditor Remuneration Disclosures</b>	<b>Meeting:</b>	AASB February 2021 (M179)
<b>Topic:</b>	<b>Next steps for the project</b>	<b>Date of this paper:</b>	10 February 2021
<b>Contacts:</b>	Thomas Liassis <a href="mailto:tliassis@aab.gov.au">tliassis@aab.gov.au</a> (03) 9617 7636  Shachini Dassanayake <a href="mailto:sdassanayake@aab.gov.au">sdassanayake@aab.gov.au</a> (03) 9617 7633  Meina Rose <a href="mailto:mrose@aab.gov.au">mrose@aab.gov.au</a> (03) 9617 7622	<b>Agenda Item:</b>	11.1.0
		<b>Project Priority:</b>	Medium
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Consider next steps

## Objective of this agenda item

- 1 The objective of this agenda item is:
  - a) to **inform** the Board of the background to the auditor remuneration disclosure project and work completed to date;
  - b) to **inform** the Board of the findings of the [AASB Research Report 15 Review of Auditor Remuneration Disclosure Requirements](#) (December 2020); and
  - c) for the Board to **decide** on the next steps for the project, subject to the Government's response to the Parliamentary Joint Committee (PJC) inquiry into the regulation of auditing in Australia.

## Summary of staff recommendation

- 2 Staff recommend that the Board
  - a) proceeds with domestic Standard-setting by issuing an Exposure Draft proposing additional disclosures about auditor remuneration and auditor tenure; and
  - b) promotes international consistency of audit related disclosures by raising the issue in AASB's submission to the IASB Agenda Consultation 2021.

## Structure

- 3 This paper is structured as follows:
  - a) Background
  - b) Work performed to date

- c) Next steps
- d) Other project planning matters

## Attachments

Agenda Paper 11.1.1: Letter from ASIC (Board only) (included in the supplementary folder)

Agenda paper 11.1.2: AASB Research Report 15 *Review of Auditor Remuneration Disclosure Requirements* - December 2020 (included in the supplementary folder)

## Background

- 4 AASB 1054 *Australian Additional Disclosures* requires entities to disclose the fees paid to their auditors for the audit/review of the financial statements and other services. However, concerns have been raised that the current disclosures requirements are not sufficient.

### Current disclosure requirements in AASB 1054

- 5 Currently, there are no specific auditor remuneration disclosure requirements in the International Financial Reporting Standards (IFRS). However, AASB 1054 which sets out Australian-specific disclosures that are in addition to the requirements in IFRSs requires the following in relation to audit fees (as per paragraphs 10 and 11 of AASB 1054):
- a) An entity shall disclose fees to each auditor or 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.
  - b) An entity shall describe the nature of other services for all other services performed during the reporting period.
- 6 As per BC6 of AASB 1054, in 2010 via ED 200B *Proposed Separate Disclosure Standards* the AASB and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants considered that the disclosure of audit fees is a matter of accountability and, given that the accountability environment is similar in both jurisdictions, they should have the same audit fee disclosure requirements. The Boards also took the opportunity to simplify the disclosure requirements on the basis that in recent times both preparers and users had indicated that disclosures in financial statements had become overly complex. Prior to the issuance of AASB 1054 in 2011, audit fee disclosures were included in AASB 101 *Presentation of Financial Statements* and required disclosure of auditor remuneration for each unspecified non-audit service.

### Recommendations by the Parliamentary Joint Committee Inquiry

- 7 Auditor independence issues were highlighted as a major concern of the [Parliamentary Joint Committee on Corporations and Financial Services - Regulation of Auditing in Australia: Interim Report](#) (February 2020). The report examined two main issues persistently identified as threats to auditor independence, being the provision of non-audit services and perceived closeness of the auditor with the audited entity. To address these issues, the report recommended improving transparency of the remuneration received by auditors for non-audit services.

- 8 As noted in paragraphs 4.92 and 4.117 of the PJC interim report, the following major concerns were raised in relation to the current disclosure requirements around audit fees:
- a) there are no industry-wide definitions of the non-audit services an auditor may perform. Entities therefore develop their own criteria as to what constitutes the different categories of services (for example, audit-related or other assurance services), which has led to inconsistencies in reporting; and
  - b) whether longer individual auditor or audit firm tenure could lead to an over-familiarity and, in turn, an erosion of professional scepticism necessary to perform high-quality audits.
- 9 Overall, as per paragraph 4.95 of the PJC interim report, industry stakeholders were of the broad view that the market would benefit from clearly and consistently defined categories and associated fee disclosure of non-audit services.
- 10 In November 2020, the PJC finalised its [report](#) confirming its interim recommendations. The following recommendations relate to the AASB in respect of auditor remuneration disclosures:
- a) **Recommendation 3** – The committee recommends that the Financial Reporting Council, in partnership with ASIC, by the end of the 2020-21 financial year, oversee consultation, development and introduction under Australian standards of:
    - i. defined categories and associated fee disclosure requirements in relation to audit and non-audit services; and
    - ii. a list of non-audit services that audit firms are explicitly prohibited from providing to an audited entity.<sup>1</sup>
  - b) **Recommendation 6** – The committee recommends that the FRC, by the end of the 2020-21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosures should include both the length of tenure of the entity’s external auditor, and of the lead audit partner.
- 11 Staff note that the Government has not yet responded to the results and recommendations of the final report. However, while the timing of the response is unknown, given the AASB is an independent standard setter, staff consider that the Board can proceed with this project pending the response.
- 12 As a result, staff have put forward significant project related matters for Board’s consideration in this Board paper in response to the PJC recommendations.

#### Letter from ASIC dated 11 November 2019 – Disclosure of Fees to Auditors

- 13 In November 2019, ASIC wrote a letter addressed to the Chair of the AASB (see full letter in the supplementary folder) noting enhanced disclosures on the categories of fees paid and payable to auditors may be of further assistance to users of financial reports in understanding the services provided by auditors to the entities that they audit. ASIC suggested the AASB consider

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<sup>1</sup> While recommendation ii is not relevant for the auditor remuneration disclosures as such, any decisions about prohibited non-audit services will affect the range of allowed non-audit services for which disclosures may be required. Staff have therefore included both components here.

whether there would be benefit in amending AASB 1054 to require fees paid and payable to auditors to be disclosed for each of the following categories:

- a) Fees to the group auditor for:
  - i. auditing the statutory financial report of the parent covering the group;
  - ii. auditing the statutory financial reports of any controlled entities;
- b) Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to the Australian Prudential Regulation Authority, or for the auditor's report to ASIC on an Australian Financial Services licensee using Form FS 71);
- c) Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement) where there is discretion as to whether the service is provided by the auditor or another firm; and
- d) Fees for other services (e.g. tax compliance).

- 14 The letter was discussed by the Board in its November 2019 meeting. The Board noted that it would consider the outcome of the PJC enquiry and the views of the User Advisory Panel in carrying out any review of the disclosure requirements.

### **Work performed to date**

#### AASB Research Report 15

- 15 [AASB Research Report 15 Review of Auditor Remuneration Disclosure Requirements](#) (RR15) which was issued in December 2020 compares Australian and selected overseas jurisdictions' auditor remuneration disclosure requirements and identifies factors that could be considered in implementing the PJC's recommendations on the audit and non-audit services fee disclosure requirements.
- 16 The purpose of the comparison was to identify best practice in relation to 'defined categories and associated fee requirements in relation to audit and [allowed] non-audit services' (first component of PJC Recommendation 3), and thereby identify potential opportunities for improvements to those requirements in Australia. The selected jurisdictions include Canada, Germany, Hong Kong, New Zealand, Singapore, South Africa, the United Kingdom (UK) and the United States (US).
- 17 Despite the interrelationship between the two components of the PJC's Recommendation 3 (see paragraph 10), RR 15 focuses on considerations relevant to the first component. In particular, the content of the Report is intended to be used by the AASB to inform and support the work of the Financial Reporting Council (FRC) and the Australian Securities and Investments Commission (ASIC) in considering the introduction of enhanced auditors' remuneration disclosure requirements pertinent to the recommendation in respect of 'defined categories and associated fee requirements in relation to audit and [allowed] non-audit services'.
- 18 The comparison shows Australia currently requires disclosure of a relatively low level of disaggregation of auditor remuneration (See Table 2 on p.17 of RR15 for detail). The report notes a number of issues for consideration in revisiting the auditor remuneration disclosures, including whether 'audit services' (or the scope of audit services) should be defined (see Consideration 1 of RR15) and whether there should be specified categories of non-audit services that would need to be disclosed. In choosing such specified categories, the report further

suggests considering adopting respective definitions and guidance provided by APES 110 *Code of Ethics for Professional Accountants*. The report suggests that one approach that could be considered as a basis for improving the quality of auditor remuneration disclosures in Australia is to consider the following categories for non-audit services:

- a) audit-related services ((without further breakdown required unless shown to be cost beneficial), with a description of the nature of the services) (see Consideration 4 and Consideration 5 of RR15);
- b) taxation services (see Consideration 6 of RR15), broken down into:
  - i. tax compliance services; and
  - ii. other tax services, with a description of the nature of the services (see Consideration 7 of RR15);
- c) other assurance services (without further breakdown required unless shown to be cost beneficial), with a description of the nature of the services (see Consideration 8 and Consideration 9 of RR15); and
- d) all other non-audit services not included in the above categories, with a description of the nature of the significant services (see Consideration 10 and Consideration 11 of RR15).<sup>2</sup>

19 This approach is not as detailed as some of the other jurisdictions, particularly the UK, but still has the potential to:

- a) improve the level of transparency and clarity of the types and nature of non-audit services provided by the auditor and the remuneration for each category of service and thereby provide useful information to users interested in assessing risks to auditor independence;
- b) align specified non-audit service categories (including other assurance engagements that are not statutory financial statement audits) with the APES 110;
- c) reflect Australian-specific circumstances;
- d) enhance comparability across Australian entities; and
- e) enhance international comparability.

20 RR15 also considers whether the current requirements (including the terminology used) are consistently interpreted and applied, and whether the Accounting Standards and *Corporations Act 2001* requirements could be better aligned. For example, the report highlights that ‘auditor’ and ‘remuneration’ are referred to using different terminology in AAS and Corporations Act (See Appendix 3 of RR15 for more detail).

21 The report aims to form the basis for the AASB working collaboratively with regulators, other standard setters, users, preparers and other stakeholders to reach a clear, effective, broadly accepted and improved framework for financial reporting (and assurance) in Australia in respect of auditor remuneration disclosures.

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<sup>2</sup> See section 5.2 Disaggregation of auditor remuneration for non-audit services of RR15.

- 22 RR15 was also used in formulating the UAC survey on auditor remuneration (see Paragraphs 24-25).
- 23 Staff will consider the findings and the issues identified in RR15 when developing recommended disclosure categories if the Board agrees to proceed with domestic Standard-setting by way of issuing an Exposure Draft as set out in the table under paragraph 44.

#### UAC survey

- 24 In July 2020, the AASB's User Advisory Committee (UAC) completed a survey conducted by staff on auditor remuneration to help provide staff with an understanding of what information relating to audit remuneration users of financial statements would find useful and why.
- 25 The full results can be found in Appendix A below, however in summary:
- (a) 87.5% of UAC members agreed there is need for an increase in transparency regarding total remuneration paid to auditors, while 12.5% disagreed (Question 1);
  - (b) 42.86% of UAC members preferred the most extensive level of disclosures of auditor remuneration (Question 2);
  - (c) 50% of UAC members were of the view that only for-profit entities should be required to disclose this level of auditor remuneration (Question 5); and
  - (d) 87.5% of UAC members agreed information regarding auditor tenure and firm rotation would be beneficial, while 12.5% disagreed (Question 7).
- 26 A verbal update was provided to the Board at its September 2020 meeting and the Board agreed to use the findings in deciding the project direction at a future meeting.

#### Review of voluntary disclosures recommended by audit firms

- 27 Staff have also reviewed publications and other communications (such as illustrative financial statements) from the large firms and noted that many have already addressed the PJC and ASIC recommendations in some form. Although not required, many of the large firms have encouraged stakeholders to follow the categorisation of auditor remuneration suggested by ASIC in paragraph 13 (see detailed finding included in Appendix B).

#### Communication with New Zealand

- 28 The New Zealand Accounting Standards Board (NZASB) generally supports the need to clarify and improve the current disclosure requirements of fees paid for audit services, assurance services and other services. The NZASB is aware of this issue in Australia and notes the importance of the Boards working together to reach a solution.
- 29 Staff have been in contact with the NZASB and have been providing updates on the progress of the project.

## Next steps

30 Before deciding on the next steps for the project, staff is seeking the Board's views on the following matters:

### Do Board members agree that there is a need to proceed with the project?

- 31 The auditor remuneration disclosures were last reviewed by the AASB in 2011. However, the auditing and reporting environments have evolved since then. For example, globally the audit profession is facing various regulatory reviews and inquiries. There is also an increasing international focus on auditor independence, including the work of the International Ethics Standards Board for Accountants (IESBA) to review the fee-related provisions in the *International Code of Ethics for Professional Accountants (including the International Independence Standards)*. That project responds to a public interest need for IESBA to revisit issues on auditor independence and non-audit services' more broadly, including fee-related matters.
- 32 Paragraph 34 of the [AASB For-Profit Entity Standard-Setting Framework](#) and Paragraph 25 of the [AASB Not-for-Profit Entity Standard-Setting Framework](#) states that the AASB needs to consider the need for Australian-specific or NFP-specific Standards, amendments, guidance or examples on a number of occasions, including when:
- a) Australian constituents raise the need with the AASB (via agenda consultation, outreach activities, or written or verbal submissions); and/or
  - b) parliamentary or other legislative enquiries contain recommendations for external reporting within the AASB's remit.
- 33 Staff are of the view that the information collected to date (through the PJC report, available research, UAC survey, ASIC letter and voluntary disclosures recommended by audit firms) is sufficient to demonstrate the need for further action by the AASB.
- 34 In particular, as indicated in the PJC report, clearly defining categories of fees paid for non-audit services may increase transparency of an entity's use of non-audit services provided by their auditor and consequently allow stakeholders to better evaluate the independence of the auditor.
- 35 Therefore, staff recommend that the Board should proceed with this project.

### **Question for Board members**

Q1: Do Board members agree the staff recommendation in paragraph 35?

### Objective and scope

- 36 If the Board agrees to proceed with the project, staff would like to confirm the remaining objective and scope of the project.
- 37 The **objectives** of the project are proposed as:
- a) consider the evidence gathered and the issues identified in RR15 and develop proposed additional disclosures that would address the concerns raised by stakeholders; and
  - b) consider whether to influence international standard-setting to improve global consistency of auditor remuneration disclosure requirements.

- 38 The **scope** of the project is proposed as addressing the adequacy of current audit-related disclosures in AASB 1054 in response to PJC recommendation 3(i) and 6.

**Question for Board members**

Q2: Do Board members agree with the objectives and scope as set out in paragraphs 37 and 38?

Do we need to do more research and outreach?

- 39 Considering the work already undertaken as outlined in paragraphs 13-27, staff are of the view that adequate evidence has been gathered to move on to the next stage of this project.
- 40 The results of the UAC survey and the voluntary disclosures recommended by audit firms equally highlight the importance of developing defined categories of auditor remuneration for disclosure in the financial statements which will be a step forward from the current disclosure requirements. Similar sentiments were expressed in the ASIC letter (November 2019) and the findings of RR15 are also mostly consistent with the other evidence gathered.
- 41 Furthermore, a significant amount of research has already been completed to identify the issues that will need to be considered when developing the proposed disclosures (See RR15).
- 42 After considering the [AASB Due Process Framework for Setting Standards](#), staff are of the view that the most appropriate form of consultation in the next stage of this project would be public consultation by way of an Exposure Draft, as explained in the table on paragraph 44. Public consultation could help to reach wider stakeholder group, thus collecting more representative feedback to inform the Board with a balanced view.
- 43 Hence Staff recommend not to carry out further research or separate outreach activities on auditor remuneration disclosures.

**Question for Board members**

Q3: Do Board members agree the staff recommendation in paragraph 43?

How should the project proceed?

- 44 Staff have put forward the following options (see table on next page) for the Board to consider in deciding the best approach proceed with this project.



Table: Options identified by staff to progress project over medium/long-term			
Options	Timing/resources	Advantages	Disadvantages
<p><b>Option 1 – Proceed with domestic Standard-setting by way of issuing an Exposure Draft (ED) introducing proposed additional disclosures on auditor remuneration and tenure</b></p> <p>As per paragraph 6.4 of the <i>AASB Due Process Framework for Setting Standards</i>, an ED is typically issued when there is a specific proposal. It includes a basis for conclusions and, if relevant, alternative views.</p> <p>The ED would use the analysis of the issues undertaken in RR15 as a basis and propose additional disclosures as appropriate.</p>	<p>Proposed additional disclosure requirements and working draft of the ED – April 2021 meeting</p> <p>Final ED – Out of session in May 2021</p>	<ul style="list-style-type: none"> <li>• An ED would be more appropriate as opposed to Discussion Paper or Consultation paper given the work already performed in RR15 and the narrow scope of nature of the potential amendments.</li> <li>• Further targeted consultation or research may not result in net incremental benefits.</li> <li>• Feedback from UAC survey, findings in RR15 and voluntary disclosures recommended by audit firms are all generally supportive of the direction of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• If the proposals are not sufficiently developed and supported, there is a risk of diverse feedback on the ED resulting in increased time for staff in analysing the responses and for the Board’s deliberations.</li> <li>• There is a risk of discouraging stakeholder engagement by progressing to a specific proposal stage without exploring wider range of options available through further targeted outreach or public consultation via a discussion paper.</li> <li>• Specific proposals may be exposed before number of crosscutting projects and initiatives that could further inform future Board deliberations have sufficiently progressed. An example of such a project is the IESBA’s review into the provisions pertaining to fee-related matters and the definitions of non-audit services.</li> </ul>
<p><b>Option 2 – Proceed domestically by issuing a Discussion Paper (DP) to refine the options for disaggregating the disclosures and canvas other issues in relation to auditor related disclosures</b></p> <p>A DP can be used to canvas a wide range of issues relating to the development of auditor remuneration disclosures which can then be</p>	<p>Draft DP - June meeting</p>	<ul style="list-style-type: none"> <li>• Enhanced stakeholder engagement by exploring a wider range of options available through stakeholder feedback.</li> <li>• Decreases risk of diverse feedback on future consultation documents such as an Exposure Draft.</li> </ul>	<ul style="list-style-type: none"> <li>• Substantial increase in time and resources for a narrow scope project with an already generally supported direction by audit firms and ASIC.</li> <li>• Further targeted consultation may not result in net incremental benefit, considering the work already performed in RR15.</li> </ul>

Table: Options identified by staff to progress project over medium/long-term			
Options	Timing/resources	Advantages	Disadvantages
refined based on stakeholder feedback before developing an ED.			
<p><b>Option 3 –Influence the IASB via Agenda Consultation</b></p> <p>Promote international consistency of auditor remuneration disclosures as part of the AASB submission to the IASB Agenda Consultation in March 2021.</p>	March-July 2021	<ul style="list-style-type: none"> <li>• Given this is mainly a FP issue, an international level solution is preferable to domestic standard setting.</li> <li>• The required level of staff resources and/or time will be low compared to option 1.</li> <li>• Agenda Consultation is the key vehicle to add projects to the IASB agenda, so this approach may be sufficient in addressing the issue.</li> </ul>	<ul style="list-style-type: none"> <li>• This is a long-term solution which will take years to progress.</li> <li>• There will be less ability to influence the outcome and to ensure concerns of local stakeholders are addressed.</li> <li>• There is risk that the significance of the issue may be lost when included with other suggestions in the agenda consultation submission.</li> <li>• The IASB may perceive this to be more of a local/regulatory issue and hence reluctant to take this on.</li> </ul>

- 45 Staff recommend the Board to proceed with both options 1 and 3. This will ensure that the issue is locally addressed in a timely manner but at the same time also promote international consistency of the disclosures in the long term.

#### Questions for Board members

Q4: Do Board members agree staff recommendation in paragraph 45?

Q5: If the answer to Q4 is no - how would the Board like to proceed with the project?

#### Other project planning matters

- 46 If the Board agrees to the staff recommendation set out in paragraph 45, staff consider that the next immediate next step is to develop proposed disclosures based on the research undertaken and feedback received to date.
- 47 The following aspects will also be considered by the staff when developing recommended disclosures on auditor remuneration and tenure:
- a) the results of the benchmarking exercise undertaken in RR15 and any recent international developments in relation to auditor remuneration disclosures and definition of non-audit services;
  - b) the issues identified for consideration in RR15;
  - c) whether we need differential reporting (i.e. any disclosure concessions for Tier 2 entities);
  - d) consequences of potentially not maintaining alignment of the disclosures with the NZ standards;
  - e) the requirements in the AASB *Due Process Framework for Setting Standards* in relation to the proposed comment period considering the scope and urgency of the issue; and
  - f) the appropriate effective date for the recommended disclosures.
- 48 Furthermore, appropriate consideration will be given to the seven Regulatory Impact Assessment (RIS) questions of *The Australian Government Guide to Regulation* as per paragraph 4.2 of the AASB *Due Process Framework for Setting Standards*.
- 49 The below paragraphs set out some other project-planning related matters that staff would like to confirm with the Board.

#### Priority/urgency

- 50 Staff recommend the priority assigned to this project is **High** on the basis that:
- a) the issues have been raised from various sources, including the PJC, the auditing profession and Research;
  - b) while most listed entities are already voluntarily making additional disclosures about auditor remuneration, without prescribed and defined categories for disaggregation there is no guarantee that the disclosures are consistent and comparable, and

- c) the IASB’s agenda consultation is expected to close for comment in July 2021, making the time to exert influence relatively short.

Project advisory panel

51 Staff do not recommend the formation of a project advisory panel on the basis that other existing panels can be utilised, specifically the Disclosure Initiative Project Advisory Panel and User Advisory Committee.

Assumptions and constraints

52 Assumptions of this project include:

- a) Staff will be able to draft proposed additional disclosures on a timely basis.
- b) There is sufficient time (and staff/Board resources) to develop high-quality solutions/suggestions.

53 Constraints of this project include:

- a) The timing of the Government’s response to the PJC report is unknown and out of the AASB’s control.
- b) The ability to influence the IASB may be limited if there are other, more urgent, projects for the IASB to address following its agenda consultation. In other words – an international project commencing is out of the AASB’s control.

Proposed timeline

Meeting/Date	Project timeline and milestones
February 2021	<ul style="list-style-type: none"> <li>• Project status update</li> <li>• Board consideration of next steps</li> </ul>
April 2021	<p>If the Board agrees with the staff recommendation in paragraph 45, it will</p> <ul style="list-style-type: none"> <li>• deliberate the proposed disclosure requirements including review of a working draft of the ED; and</li> <li>• review and approve the proposed paragraphs to be included in the AASB submission to the IASB Agenda Consultation.</li> </ul>
Out of session at end of May 2021	<ul style="list-style-type: none"> <li>• Board to consider final draft of the ED</li> <li>• Issue ED for public comment at the end of May with a standard 90-day comment period that closes at the end of August 2021</li> </ul>
November 2021	<ul style="list-style-type: none"> <li>• Board to consider comments received on the ED</li> </ul>
Out of session in December 2021	<ul style="list-style-type: none"> <li>• Finalise and issue the Standard</li> </ul>

**Question for Board members**

Q6: Do Board members agree with the other project planning matters as outlined above including the proposed timeline?

Q7: Do Board members have any other feedback to share with staff?

## Appendix A: UAC survey results

The following results are from the survey conducted by staff on auditor remuneration which has been completed by the AASB's User Advisory Committee.

### Question 1 Should all entities be required to disclose the same level of information regarding auditor remuneration?

Yes – 87.50% (7)	No – 12.50% (1)
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### Question 2 If you answered yes to Q1, what categories and level of disclosure of auditor remuneration would be useful?

Category A – 14.29% (1)	Category B – 14.29% (1)	Category C – 28.57% (2)	Category D – 42.86% (3)
<ul style="list-style-type: none"> <li>The audit or review of the financial statements</li> <li>All other services performed during this period</li> </ul>	<ul style="list-style-type: none"> <li>Statutory audit fees</li> <li>Audit-related assurance services</li> <li>Other assurance services</li> <li>Other services</li> </ul>	<ul style="list-style-type: none"> <li>Statutory audit fees</li> <li>Audit-related assurance services</li> <li>Taxation services</li> <li>Other services</li> </ul>	<ul style="list-style-type: none"> <li>Statutory audit fees</li> <li>Audit-related assurance services</li> <li>Taxation compliance services</li> <li>Other taxation services</li> <li>Other assurance services</li> <li>Corporate finance services</li> <li>Other services</li> </ul>

### Question 3 Where auditor remuneration should be disclosed?

Within the financial statements/report – 100% (8)	Unsure – 0%	Elsewhere (outside of the financial statements) – 0%
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### Question 4 Should auditor remuneration disclosures be audited?

Yes – 87.50% (7)	No – 12.50% (1)	Unsure – 0%	Other – 0%
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### Question 5 Should all entities be required to disclose the same level of information regarding auditor remuneration?

Yes – 25% (2)	No – 50% (4)	No – 12.50% (1)	Unsure – 12.50% (1)	Other – 0%
<ul style="list-style-type: none"> <li>For-profit</li> <li>NFP</li> <li>Public sector</li> </ul>	<ul style="list-style-type: none"> <li>For-profit only</li> </ul>	<ul style="list-style-type: none"> <li>Tier 1 entities only</li> </ul>		

**Question 6** Would you find it useful to have a disclosure similar to (b) & (c) of s300 (11B) of the Corporations Act 2001 for entities other than listed entities, who would be required to make disclosures on auditor remuneration?<sup>1</sup>

Yes – 75% (6)	No – 12.50% (1)	Unsure – 12.50% (1)
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**Question 7** Would you benefit from the disclosure of information regarding auditor tenure and firm rotation?

Yes – 87.50% (7)	No – 12.50% (1)	Unsure – 0%
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**Question 8** If you answered yes to Q7, where should information regarding auditor tenure/firm rotation be disclosed?

In the notes to the financial statements – 85.71% (6)	Unsure – 14.29% (1)	Other – 0%
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**1 EXTRACT CORPORATIONS ACT 2001**

The report for a listed company must also include the following in relation to each auditor:

- (b). a statement whether the directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) is compatible with the general standard of independence for auditors imposed by this Act;
- (c). a statement of the directorse auditor (or by another person or firm on the auditthose non audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) did not compromise the auditor independence requirements of this Act.

## Appendix B: Recommendations from Australian Entities

B1 The table below summarises recommendations from ASIC and large audit firms in relation to auditor remuneration categories as obtained either from their submission to the PJC inquiry or through other publications such as illustrative financial statements.

Entity	Recommendations – defined categories and associated fee disclosure requirements (audit and non-audit services)
<b>ASIC</b>	<p>Consider amending AASB 1054 to require fees paid and payable to auditors to be disclosed for each of the following categories:</p> <ul style="list-style-type: none"> <li>(a). Fees to the group auditor for: <ul style="list-style-type: none"> <li>i. auditing the statutory financial report of the parent covering the group;</li> <li>ii. auditing the statutory financial reports of any controlled entities;</li> </ul> </li> <li>(b). Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to the Australian Prudential Regulation Authority, or for the auditor’s report to ASIC on an Australian Financial Services licensee using Form FS 71);</li> <li>(c). Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement) where there is discretion as to whether the service is provided by the auditor or another firm; and</li> <li>(d). Fees for other services (e.g. tax compliance).</li> </ul>
<b>BDO<sup>1</sup></b>	<p>BDO support the current initiative by ASIC to require improved disclosures of fees paid to the auditor into 4 buckets of:</p> <ul style="list-style-type: none"> <li>(a). Fees to the group auditor for: <ul style="list-style-type: none"> <li>i. auditing the statutory financial report of the parent covering the group;</li> <li>ii. auditing the statutory financial reports of any controlled entities;</li> </ul> </li> </ul>

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<sup>1</sup> Recommendation in PJC submission



Entity	Recommendations – defined categories and associated fee disclosure requirements (audit and non-audit services)
	<p>(b). Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to the Australian Prudential Regulation Authority, or for the auditor’s report to ASIC on an Australian Financial Services licensee using Form FS 71);</p> <p>(c). Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement) where there is discretion as to whether the service is provided by the auditor or another firm; and</p> <p>(d). Fees for other services (e.g. tax compliance).</p>
Deloitte <sup>2</sup>	<p><b>Audit or review of financial reports:</b></p> <p>(a). Fees to the group auditor for:</p> <ul style="list-style-type: none"> <li>i. auditing the statutory financial report of the parent covering the group;</li> <li>ii. auditing the statutory financial reports of any controlled entities;</li> </ul> <p><b>Statutory assurance services required by legislation to be provided by the auditor</b></p> <p>(b). Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to the Australian Prudential Regulation Authority, or for the auditor’s report to ASIC on an Australian Financial Services licensee using Form FS 71);</p> <p><b>Other Assurance and agreed-upon procedures under other legislation or contractual arrangements</b></p> <p>(c). Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement) where there is discretion as to whether the service is provided by the auditor or another firm; and</p> <p><b>Other services</b></p> <ul style="list-style-type: none"> <li>- Tax compliance services</li> </ul>

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<sup>2</sup> Recommendation in PJC submission

Entity	Recommendations – defined categories and associated fee disclosure requirements (audit and non-audit services)
	<ul style="list-style-type: none"> <li>- Consulting services</li> <li>- Other</li> </ul>
EY <sup>3</sup>	<p>EY Australia believes this disclosure should be made according to the following common framework with four categories of fees disclosed:</p> <p><b>Statutory audit fees</b></p> <p>(a) Fees paid relating to the statutory financial statement audit and half-year review of any entity within the group, local and international.</p> <p><b>Audit-related services</b></p> <p>(b) Other audits or reporting that auditors are either required to undertake or are best placed to undertake under legislation, regulation or contract. These services are typically provided by the same audit partner and staff, and include regulatory audits, compliance plan audits, grant audits, covenant reporting to banks and associated entity audits.</p> <p><b>Other assurance services</b></p> <p>(c) This would include services conducted in accordance with the assurance framework contained in Australian Auditing Standards (such as IARs, sustainability reporting and agreed-upon procedures reports), as well as other areas of assurance.</p> <p><b>Non-audit-related (other) services</b></p> <p>(d) Tax compliance services, consulting and other services permitted under the Corporations Act, APES 110, and Australian Auditing Standards.</p>

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<sup>3</sup> Recommendation in PJC submission

Entity	Recommendations – defined categories and associated fee disclosure requirements (audit and non-audit services)
<b>Grant Thornton<sup>4</sup></b>	Grant Thornton supports both the increased transparency and defined list of prohibited services of this recommendation. The Audit Quality Working Group (a subcommittee of the Australian Public Practice Committee, Financial Reporting Council) produced a working paper on Audit Related Services, this should be utilised as a starting point to defined categories of services. Clarity will need to be developed for categories of fees, prohibited fees and guidance on the application for services charged (such as fees in excess of engagement letter, recovered client disbursements and services to a group).
<b>KPMG<sup>5</sup></b>	<p>Although not required, KPMG categorisation of fees to auditors is encouraged by ASIC to aid the consistent and transparent reporting of audit and non-audit fee information.</p> <p><b>Audit and review services</b></p> <p>(a). Fees to the group auditor for:</p> <ul style="list-style-type: none"> <li>i. auditing the statutory financial report of the parent covering the group;</li> <li>ii. auditing the statutory financial reports of any controlled entities;</li> </ul> <p><b>Assurance services</b></p> <p>(b). Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to the Australian Prudential Regulation Authority, or for the auditor’s report to ASIC on an Australian Financial Services licensee using Form FS 71);</p> <p>(c). Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement) where there is discretion as to whether the service is provided by the auditor or another firm; and</p> <p><b>Other services</b></p>

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<sup>4</sup> Recommendation in PJC submission

<sup>5</sup> [Example Public Company Limited KPMG \(2020-21\), Page 43](#)

Entity	Recommendations – defined categories and associated fee disclosure requirements (audit and non-audit services)
	(d). Fees for other services (e.g. tax compliance).
<b>PwC<sup>6</sup></b>	<p>PwC have developed illustrative disclosures based on draft recommendations made by ASIC and encourage entities to consider these in their 30 June 2020 financial statements.</p> <p><b>Audit and review of financial reports</b></p> <p>(a). Fees to the group auditor for:</p> <ul style="list-style-type: none"> <li>i. auditing the statutory financial report of the parent covering the group;</li> <li>ii. auditing the statutory financial reports of any controlled entities;</li> </ul> <p><b>Other statutory assurance services</b></p> <p>(b). Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to the Australian Prudential Regulation Authority, or for the auditor’s report to ASIC on an Australian Financial Services licensee using Form FS 71);</p> <p><b>Other assurance services</b></p> <p>(c). Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement) where there is discretion as to whether the service is provided by the auditor or another firm; and</p> <p><b>Other services</b></p> <p>(d). Fees for other services (e.g. tax compliance, tax advisory, consulting services).</p>

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<sup>6</sup> [PwC Value Accounts Holdings Limited Annual financial reporting \(December 2020\), Page 219](#)