

Agenda Item 11 (d) Preliminary research on options concerning fee categories

Technical Staff have identified Sections 410 and 905 as appropriate locations for the Board to consider with respect to definitions of audit and other services in the Fees ED.

Part 4A – Independence for Audit and Review Engagements contains many of the substantial proposed changes to the Fee related provisions of the Code. Section 410 includes requirements and application material for Fees.

Part 4A enforces obligations for Auditors concerning disclosures. The definitions for audit and other services may be located in Section 410. This location helps the member understand and consistently apply the definition of services that require disclosure classification.

In Part 4B, Independence for Assurance Engagements other than Audit and Review Engagements, the corresponding section is 905.

As discussed in **Agenda Item 11**, the broad categories for disclosure are:

1. Audit Services
2. Audit-Related Services
3. Other Assurance Services
4. Tax Services
5. Other Services.

1) Audit Services (as defined in 400.2 of the Code)

- Audit Engagements and audits of related entities for PIE clients;
- Audit Engagements and audits of related entities for which the client has direct or indirect control; and
- Review Engagements.

2) Audit-Related Services (as defined by FRC UK Ethical Standards 2019)

- Reporting required by law or regulation to be provided by an auditor;
- Reviews of interim financial information;
- Reporting on regulatory returns;
- Reporting to a regulator on client assets;
- Reporting on government grants;
- Reporting on internal financial controls when required by law or regulation;
- Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions

3) Other Assurance Services (as defined by FRC UK Ethical Standards 2019)

- Reports that are not 'audit-related services,' required by the competent authorities/regulators supervising the audited entity, where the authority/regulator has either specified the auditor to provide the service or identified to the entity that the auditor would be an appropriate choice for a service provider.
- Audit and other services provided as auditor of the entity, or as a reporting accountant, in relation to information of the audited entity for which it is probable that an objective, reasonable and informed third party would conclude that the understanding of the

entity obtained by the auditor for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence.

These might include, for example:

- audit and other services relating to public reporting as a reporting or investigating accountant on financial or other information of the audited entity in an investment circular or prospectus;
- services, including private reporting, that are customarily performed by the reporting or investigating accountant to support statements and disclosures made by the directors, in a prospectus or investment circular or, to support confirmations provided by the sponsor or nominated advisor;
- audit and other assurance services relating to public reporting on other information issued by the entity, such as reports on information in the front of annual reports not covered by the auditor's report on the financial statements.

The above list is not intended to be fully comprehensive.

4) Tax Services (as adapted from APES 220)

Tax services permissible under the Independence requirements of the Code such as;

- Tax compliance services which include preparation of a return, notice, statement, application or other document for lodgement with a revenue authority, and responding on behalf of a client to the revenue authority's requests for further information;
- Provision of tax planning and other tax advisory services
- assisting a client in the resolution of tax disputes

5) Other Services

- All other services provided by the entity's auditor that are not included in categories 1-4 above.