

Update on Fees

External Presenter, Prof. David Hay
University of Auckland, New Zealand

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David Hay

- Professor of Auditing, University of Auckland, New Zealand



Issues

- Level of audit fees
- Relative size of fees and dependence
- Ratio of non-audit to audit fees
- Audit services by firms that have non-audit service businesses

Overview

- Risks that are not confirmed by evidence
- Risks that are confirmed by evidence
- Risks where there is mixed evidence

Concerns

- Lower audit fees after switch
- Non-audit services (NAS) and independence in appearance
- Mixed results:
 - competition;
 - dependence;
 - NAS and independence of mind
 - NAS to non-audit clients

Issue 1: Level of audit fees

- Level
- New engagements and low-balling

Issue 2: Relative size of fees and dependence

- High fees and loss of independence – or risk
- Partner income related to clients gained or lost, audit failures
- Dependence at office or partner level

Issue 3: Ratio of non-audit to audit fees

- Appearance of independence
- Independence of mind
 - Generally
 - Current concerns

Issue 4: Audit services by firms that have non-audit service business

- Audit firms that provide NAS to non-audit clients
 - Evidence of reduced quality
 - Evidence of reduced independence in appearance
 - Studies are unpublished

Additional issues

- Other stakeholders
- Processes implemented by firms

Research suggestions

- More comprehensive meta-analysis
- Investigate mixed results
- Dependence
- Fees and inspection reports
- Non-audit services around the world
- Internal firm data
- Publicizing results of this study

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