



## MEMO

To: Board of Directors  
From: Company Secretary  
Subject: **NON-AUDIT SERVICES**

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A company's auditors may perform other duties/provide other services for the company providing they maintain independence in relation to the audit, and report on those services as and if required under the Corporations Act.

Examples of non-audit work include:

- Tax compliance & advice
- Accounting advice
- Independent expert's report

and would also encompass anything which is not included in the terms of the statutory audit engagement.

### Listed Companies

For stock exchange listed companies the requirements covering the provision of and reporting on non-audit services are entrenched in the Corporations Act through sections 300(11B) ~ (11E).

Specifically, these relate to:

11B. The Directors' Report (incorporated in the annual financial report) must, include under a sub-heading "Non-audit Services":

- a statement whether the directors are satisfied that the provision of non-audit services by the auditor – or another person in the audit firm – is compatible with the general standard of independence imposed by the Act
- a statement of the directors' reasons for being satisfied that the provision of non-audit services by the auditor – or another person in the audit firm – did not compromise the auditor's independence requirements of the Act
- details of the amounts paid for non-audit services.

11C. The name of the auditor(s) must be noted for amounts paid for non-audit services.



11D. The directors statements under 11B above must be made in accordance with either:

- a resolution of the Board of Directors; or
- advice of the Audit Committee.

11E. Advice of the Audit Committee must be:

- supported by a resolution of that Committee; and
- provided to the Board of Directors in writing.

### **Policy & Procedure**

Typical policy where the Audit Committee has the responsibility to approve any non-audit/non-assurance services to be provided by the audit firm is, before engaging the auditor on a new assignment, to seek the verbal consent of the chairman of the Committee for the firm to tender and then have the matter formally approved by the Committee before signing any engagement letter.

In practice, the easiest way for Audit Committee advices to be communicated to the Board is for the minutes of Committee meetings to be provided to the Board – and then for the Board to formally resolve to accept those minutes.

### **Other Companies**

Best practice would dictate that all other companies, whether public or private, follow and adhere to similar practices, even though the Act does not cover them.

### **Example Statements**

Two examples of information provided under 'Non-audit Services' in Directors' Reports of listed companies are given below:

#### *Company A*

##### **Non-Audit Services**

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.



The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor;
- and the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
<b>Audit services:</b>		
Auditors of the Company		
audit and review of financial reports (KPMG Australia)	160,669	112,284
	160,669	112,284
<b>Services other than statutory audit:</b>		
Other assurance services		
Investigating Accountants Report (KPMG Australia)	555,000	
Other services		
Taxation compliance services (KPMG Australia)	26,144	15,554
	581,144	15,554
		15,554

## *Company B*

### **NON-AUDIT SERVICES**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements.

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 the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.



	<b>Consolidate d Entity 2010 \$</b>	<b>Consolidated Entity 2009 \$</b>
<b>28. AUDITORS REMUNERATION</b>		
Auditor of the Consolidated Entity-BDO Audit (QLD) Pty Ltd	<b>35,000</b>	27,000
Total remuneration for audit services	<b>35,000</b>	27,000
Tax services	<b>6,000</b>	6,000
	<b>41,000</b>	33,000

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**DISCLAIMER**

*The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.*