



Australian Council of Super Investors Inc.

# **Non-Audit Services Performed by Auditors in the Top 100 Companies**

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Level 29, 2 Lonsdale Street, Melbourne, Vic, 3000  
Tel: (03) 9657 4386 Fax: (03) 9657 4378  
E-mail: [acsi@ifsfairley.com.au](mailto:acsi@ifsfairley.com.au)

## I INTRODUCTION AND EXECUTIVE SUMMARY

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This study considers the audit and non-audit fees paid by Top 100 companies to their external auditors during the 2000-2001 financial year. The study was commissioned by the Australian Council of Super Investors.

This is a short paper because much of the underlying theory is addressed in an earlier paper prepared for ACSI by Institutional Analysis: *Adequacy of Australia's Auditor Independence Regime* (2001).

Key findings are:

- Audit fees for large listed companies are typically in excess of \$500,000. The average among Top 100 companies is \$1.4 million, up to a maximum of \$13 million.
- There is a huge difference between the smallest and largest non-audit fee – zero to \$32 million. The average amount of non-audit fees paid by Top 100 companies was just over \$3 million, in contrast to the average audit fee of \$1.4 million.
- Looking at the statistics for the Big 5 audit firms separately, the only number that stands out is the average non-audit fee for Arthur Anderson – which at \$4.8 million is significantly larger than for the other firms.
- If the average non-audit fees figure (\$3,022,085) is compared with the average audit fee figure (\$1,446,587), the ratio is approximately 2.09 : 1. This means that for every \$100,000 spent on the external audit, approximately \$209,000 will be spent on non-audit fees.
- Firm specific ratios of non-audit fees to audit fees reveal that Arthur Andersen is not significantly different from other firms. Although average ratios for firms range from 1.47 to 2.46, maximum non-audit fee ratios vary substantially, ranging from 3.43 to 22.24.