

Policy for the appointment and remuneration of the external and internal auditors for non-audit services

Policy description:

An important element of good governance is the independence of the internal and external auditors. Within certain parameters, the auditors can provide certain non-audit services but their independence and objectivity must be safeguarded at all times. This policy summarises the procedures for the engagement and remuneration of the auditors for the conduct of non-audit related work.

The aim of the Policy is to ensure, so far as is reasonably practicable, that there is objective auditing of the financial statements and internal control environment.

Links to other policies:

- Financial regulations
- Bribery policy

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| Title/Position: Vice Principal, Finance and Resources | | |
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1.0 Executive Summary

This document sets out the College's policy for the appointment and remuneration of the external auditors and the internal auditors for non-audit services.

2.0 Context

UK Corporate Governance Code
JACOP (Joint Audit Code of Practice)

3.0 Non-audit Services

This policy defines two different types of non-audit related services:

- the auditor is explicitly excluded from undertaking this type of work (*prohibited non-audit services*);
- specific approval from the Audit Committee is required before the auditor is contracted (*permitted non-audit services*);

The list of prohibited and permitted non-audit services set out below may be amended only by the Committee and is not intended to be exhaustive. Where the proposed non-audit service is not referred to in either the list of prohibited or permitted activities or there is any doubt over the categorisation, the matter should be referred to the Vice-Principal (Finance and Resources) for guidance.

Acceptance of donations from, or sponsorship by, the auditors may also affect, or be perceived to affect, the auditors' independence and objectivity. Therefore, in addition to setting out the policy and procedure in relation to the conduct of non-audit related work, the opportunity is taken to clarify the position in respect of the acceptance of donations from, and sponsorship by, the auditors.

4.0 Permitted "normal" work for internal and external auditors

Whilst it is difficult to be precise about the definition of "normal" work the internal and external auditors may undertake as auditors, it includes the following:

- Any review of the accounts for regulatory purposes
- Assurance work related to compliance and corporate governance, including high level controls
- Regulatory reviews or reviews commissioned by the Audit Committee
- Accounting advice and reviews of accounting standards
- **Extended assurance work as directed by the Audit Committee**

5.0 Prohibited non-audit services

5.1 External auditors

The following sets out those activities that the external auditor is prohibited from undertaking as the activities are generally perceived to involve the auditor making judgments or decisions that are the responsibility of the College management and would interfere with their objectivity when undertaking the external audit:

- Work related to accounting records and financial statements that will ultimately be subject to external audit

- Management of, or significant involvement in, internal audit services
- Secondments to management positions that involve any decision making
- Investment advice and banking services
- Financial information systems design and implementation
- Actuarial services
- Any work where a mutuality of interest is created that could compromise the independence of the external auditor
- Legal services
- Advising the Remuneration Committee
- Valuations services where the results will or may be incorporated in the audited financial statements
- Providing recruitment services in relation to key management positions
- Any other work which is prohibited by UK ethical guidance

5.2 Internal auditors

Internal auditors should be independent of the activities they audit to allow them to perform their work freely and objectively. Internal auditors may undertake appropriate consultancy work but the list below sets out prohibited non audit services for internal auditors:

- Accounting system implementation or design
- Business planning
- Mergers
- Cash management and budgeting
- Inventories

6.0 Permitted non-audit services for auditors

6.1 External auditors

On occasion, it may be considered more appropriate to instruct the external auditor to undertake permitted non-audit services, rather than another body, because of the auditor's detailed understanding of the College's business; this may result in cost efficiencies and, where relevant, may assist with the maintenance of confidentiality.

Subject to the prior approval of the Committee, the following list sets out those non-audit services that the external auditor is permitted to undertake:

- advice on the preparation of financial information and the application of GAAP; or
- training support for accounting projects and in relation to accounting standards.
- assistance in tax compliance activities including preparation of draft returns, submission of returns and correspondence with tax authorities;
- advice on tax matters, recent developments and/or complex or high risk areas;
- expatriate tax matters;
- transfer pricing advice;
- subject to above, valuations for tax purposes; or
- tax advice in relation to corporate transactions.
- such other activities as may be agreed by the Committee from time to time.

6.2 Internal auditors

It is not uncommon for internal auditors to provide consultancy services and the following areas are considered appropriate for them to carry out work:

- Non-accounting system consultancy
- Contract compliance
- Reviewing performance of external suppliers

7.0 Approval Process

The prior approval of the Committee must be obtained prior to the engagement of the internal or external auditors with respect to any permitted non-audit services on a case by case basis. In addition to obtaining the Committee's approval in advance to the undertaking of the activity, it is also necessary to obtain the Committee's approval for any proposed fee to be charged by the auditor for undertaking the permitted non-audit service.

Where no Committee meeting is scheduled within an appropriate time frame, approval should be sought from the Chair of the Committee.

8.0 Reporting of fees paid to the Auditors for non-audit work

The Committee will receive a written annual report from the Vice-Principal (Finance and Resources) at the end of each financial year if any fees are paid to the auditors for any non-audit work undertaken during that year. The report shall include fees for any pre-approved permitted non-audit services undertaken.

9.0 Acceptance of donations from, and sponsorship by, the Auditors

If the auditors wish to make a donation to the College, or to sponsor a College activity or event, the auditors, in consultation with the Vice-Principal Finance and Resources, shall first put the proposal to the Committee for consideration.

If the Committee agrees that the proposed donation or sponsorship proposal would not affect, or be perceived to affect, the auditors' independence or objectivity, then it shall be processed in the usual way.

If the Committee is of the view that the proposed donation or sponsorship proposal would affect or be perceived to affect the auditors' independence or objectivity, then that proposal shall be declined.