

Policy on Engagement of Audit Service Provider

POL 17/2017

Relevant Legislation	Audit Act 1969 and Audit Amendment Act, 2006
Commencement Date	23 November 2017
Review Date	The review date is 12 months after the commencement date and every three years after that.

POLICY STATEMENT

1 Intent

This policy has been developed to assure maintenance of independence in the delivery of outsourced professional audit services and avoiding potential conflicts of interest.

2 Scope

This policy applies to all external Audit Service Providers (Appointees) appointed by the Office.

3 Objective(s)

In accepting an outsourced audit engagement, the likelihood that external audit service providers will not be permitted to provide any other services; and make it clear that the same firm cannot be the external or internal auditor of the Office of the Auditor-General whilst at the same time accepting an engagement to conduct outsourced external audit work on behalf of the Auditor-General.

4 Legislation

Section 7A (1) of the Audit (Amendment) Act 2006 provides that the Auditor-General may by contract authorize a person to conduct on behalf of the Auditor-General an audit or special investigation.

This policy is established to address independence and confidentiality considerations where the Auditor-General makes appointments.

5 Policy Maker

The policy maker is the Auditor-General.

6 Conflicts of interest that may arise

If any event should occur which might result in the Audit Service Provider having a direct or indirect professional or personal interest in the subject of any audit required to be carried out pursuant to an engagement under this Policy, the Audit Service Provider shall immediately report the circumstances to the Auditor-General.

The Audit Service Provider must declare to the Auditor-General all the services provided to the entity for the two years prior to the financial year audited or until that date of tender. It shall be at the discretion of the Auditor-General to ascertain any conflict of interest which may arise by appointing the audit service provider to conduct audit for the entity on his/her behalf.

7 Cooling off period

Section 7A(2) of the Audit (Amendment) Act 2006 provides that the Auditor-General cannot by contract authorize a person to conduct an audit or special investigation if he or she has been in the last 12 months:

- a) a member of staff of the Office of the Auditor-General; or
- b) auditing the accounts of the Office of the Auditor-General.

The Appointees will not be allowed to provide non audit services unless otherwise approved by the Auditor-General for one year subsequent to the date the audit opinion was signed by the Auditor-General.

8 Three-year rotation policy

The Appointees would be engaged for a particular audit for not more than three years.

9 Requests by audited entity's management for the provision of additional services

The Appointees shall not, without first consulting and obtaining written approval from the Auditor-General, offer to provide services to the entity or accept any request for the provision of any other services, and shall ensure that no associate performs or provides any such services before such consultation, and, for the purpose of this provision "associate" includes:

- a) all other members and employees of the firms, if any, of which, in the opinion of the Auditor-General, the Audit Service Provider is a member, employee or associate; and
- b) any management or consultancy firm or company of which, in the opinion of the Auditor-General, any of the persons or firms referred to in paragraph 9(a) are members, employees or associates.

10 Determining audit independence of Audit Service Providers

To allow the Appointees to determine whether acceptance of professional service engagements available directly from the entity will impair their audit independence in the opinion of the Auditor-General, the following principles should be referred to:

A. Agency Relationship

The Appointees acts as an independent contractor of the Auditor-General. The Auditor-General would not accept a direct engagement from the entity to provide advisory, consultancy or internal audit services. This could impair the actual or perceived independence of the Auditor-General in conducting audits of that entity. In addition, it is noted that the Auditor-General's mandate under the Audit Act 1969 only authorises him/her to conduct financial statement audits of specified entities or to carry out performance audits or other reviews and investigations initiated by him/her, not by entity management.

Appointees who acts on behalf of the Auditor-General for particular entities should also be governed by this principle in relation to those entities.

B. Relationship with the Auditor-General

The Appointees acts as an independent contractor of the Auditor-General and therefore reports to him/her. In this capacity, the Appointees cannot also report to entity management.

The Appointees should be the first point of assessing incompatible tasks, and should refer to the Auditor-General only instances where it is considered a conflict of roles would not arise to any substantive extent.

The Auditor-General will review the circumstances of any such instance and, where necessary, issue a caution to an Appointees that if he or she accepts a task considered by the Auditor-General to be incompatible, the applicable audit task assigned to the Appointees by the Auditor-General may be reallocated. The incompatibility can be perceived, actual, or possible.

11 Natural Justice

There may be occasions where Appointees believe the imposition of this policy to be harsh. The Auditor-General believes that independence is a cornerstone of his/her role and that application of this policy as outlined is essential.

12 External/Internal Audit of the Office of the Auditor-General

The Auditor-General believes that a conflict of interest exists where the Appointees is also the internal auditor for the Office. An existing Appointees seeking to accept such an appointment must resign his/her appointment as an Appointees.

13 Key Words

Audit Service Providers	External firms or persons engaged by Auditor-General to provide auditing services on his/her behalf.
Contract Audit Fees	Is the fees agreed to be paid by OAG to the audit service provider.
Audit Coordinator	The Director of Audit at OAG appointed by Auditor-General to coordinate the audit.

14 Supporting Procedures and Guidelines

RESPONSIBILITIES	
Implementation	Quality Assurance Team.
Compliance	All staff are responsible for complying with the policy.
Monitoring and Evaluation	The Quality Assurance Team is responsible for monitoring and evaluating the policy.
Development and/or Review	The Quality Assurance Team will be responsible for developing and/or reviewing the policy.
Interpretation and Advice	The Auditor-General is responsible for interpretation and advice on the policy.

15 Who Needs To Know This Policy

All Audit Service Providers and the Staffs of the Office of the Auditor-General.

16 Effectiveness of this Policy

Breaches and/or potential conflicts will be reported to the Auditor-General.

17 Revision/Change Log

Version 1.0	
Policy endorsed by:	Executive Management Committee
Policy approved by:	Auditor-General
Policy effective from:	23 November 2017
Policy to be reviewed by:	
Manager responsible for policy:	Manager Corporate Services