

Audit Service Provider Independence Policy

POLICY NO: 33

Commencement Date	14 March 2019
Relevant Legislation/ Reference Document	Audit Act 1969 Financial Management Act 2004
Review Date	The review date is 12 months after the commencement date and every three years after that.

POLICY STATEMENT

1 Intent

Section 7A of the Audit Act 1969 authorizes the Auditor General to contract out audits.

This policy has been developed to assure the independence of any person, other than an employee of the Office of the Auditor General (Office), providing audit services to the Office.

2 Scope

This policy applies to all appointments under contracting out of audits services under Section 7A, Audit Act 1969.

3 Objective(s)

The objective of this policy is to clarify for audit service providers:

- Independence requirements of the Office
- Restrictions relating to the provision of non-assurance related services to State entities.

4 Policy Maker: Auditor-General

5 Definitions and Acronyms

Audit	Contracting out audits (<i>Audit Act 1969</i> , section 7A).
Audit service provider	A person or body of persons, corporate or unincorporated, other than an employee of the Office, who has been appointed pursuant to Section 7A of the <i>Audit Act 1969</i>
Engagement leader	Engagement leader means person nominated by the audit service provider: <ul style="list-style-type: none">• to be responsible for the delivery of the services provided to the Office• to be responsible for any opinion or report to be issued by the Office• who has, where required, the appropriate authority from a professional, legal or regulatory body.

Financial audit services	Services provided in connection with the audit of a financial report, or complete set of financial statements, of a State entity.
Independence	Independence is: (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism. (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a person or member of an audit or assurance team's, integrity, objectivity or professional skepticism has been compromised.
Office	Office of the Auditor-General, Republic of Fiji
State Entities	Same meaning as Financial Management Act 2004 and Public Enterprise Act
The Act	<i>Audit Act 1969</i>

6 Supporting / Related Documents

Audit Act 1969
 Constitution of the Republic of Fiji
 Financial Management Act 2004
 Code of ethics issued by IFAC
 Sourced from Tasmania Audit Office - Audit Service Provider Independence Policy

7 Who Needs To Know This Policy?

Auditor-General
 All staff
 Audit service providers
 Potential audit service providers
 Senior finance officers of State entities

8 Effectiveness of This Policy

No unknown independence issues

9 Supporting Procedures and Guidelines

RESPONSIBILITIES	
Implementation	Deputy Auditor General is responsible for implementing the policy.
Compliance	Directors of Audit are responsible for complying with the policy.
Monitoring and Evaluation	QA Team Leader is responsible for monitoring and evaluating the policy.
Development and/or Review	The Corporate Services division will be responsible for reviewing the policy.
Interpretation and Advice	The Deputy Auditor-General is responsible for interpreting and advice on the policy.



ANNEXURE 1

Policy Provisions

Protecting the independence of the Auditor-General

The role of the Auditor-General is a key part of the public sector's integrity and accountability system ensuring the accountability of the Government and its agencies to Parliament and the public. It is therefore important that the position of the Auditor-General:

- must be, and be seen to be, completely independent in the conduct of audits
- have a mandate that encompasses the whole of the public sector
- call upon any officer for any explanation and information he or she may require
- must not be restricted in reporting audit findings to the Parliament.

Section 6, 7 and 7A of the Audit Act 1969 provides the powers that codifies the independence of the Auditor-General.

Audit service providers should do everything possible to uphold and protect that independence.

The Auditor-General's position on the provision of non-assurance services

Appendix 1 sets out the Auditor-General's position on which services should or should not be accepted by an audit service provider. The Auditor-General's position is guided by the principles set out above and, in particular, Section 6, 7 and 14 of the Act.

Other ethical requirements

Other ethical requirements relating to financial audit services provided by audit service providers are subject to the relevant ethical requirements related to assurance engagements as defined in International Framework for Assurance Engagements issued by IFAC. Moreover, this Framework defines and describes the elements and objectives of an assurance engagement, and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply.

Where there is uncertainty relating to relevant ethical requirements, consultation with and approval by the Auditor-General is advised.

Other audit services

Independence and other ethical requirements relating to other audit services provided by audit service providers are subject to the relevant ethical requirements related to assurance engagements as defined in *Code of Ethics for Professional Accountants* issued by International Federation of Accountants (IFAC)

Where there is uncertainty relating to relevant ethical requirements, consultation with and approval by the Auditor-General is advised.

Natural Justice

There may be occasions where audit service providers believe the imposition of this policy to be unrealistic. The Auditor-General believes that independence is a cornerstone of the role and that application of this policy as outlined is essential.

Prospective audit service providers of financial audit services should appraise themselves of this Policy and should not submit a tender, or enter into an arrangement to undertake financial audit services if this Policy cannot be adhered to.

External financial audit of the Office

Section 14 of the Act allows the Speaker of Parliament to appoint a natural person to audit the accounts of the Office for a term not exceeding 3 years. The Auditor-General believes that a conflict of interest exists where an audit service provider is also the Speaker's appointed external auditor for the Office.

Where the Speaker seeks to appoint an external auditor under Section 14, an existing audit service provider seeking to accept such an appointment must resign their appointment as an audit service provider.

Internal audit of Office

An existing audit service provider cannot provide internal audit services to OAG while remaining an audit service provider. If an audit service provider sought to accept such an appointment they must resign their appointment as an audit service provider. In practice, OAG does not offer the opportunity to provide internal audit services to existing audit service providers.



ANNEXURE 2

The following table sets out the Auditor-General's position on which services should or should not be accepted by an audit service provider providing financial audit services. The Auditor-General's position is guided by the policy principles set out above.

	GCC/CSA entities audited by the audit service provider			GCC/CSA entities not audited by the audit service provider		
	Audit Partners	Other persons involved in the audit	Other persons not involved in the audit	Audit Partner of any STATE entity audit	Other persons involved in any STATE entity audit	Other persons not involved in any STATE entity audit
Directorship	x	x	x	x	x	✓
Audit committee chair/member	x	x	x	x	x	✓
Internal audit	x	x	x	✓ ¹	✓	✓
Consultancy/ advisory	x	x	x	✓ ¹	✓	✓
Other assurance	✓	✓	✓	✓	✓	✓
	Non-STATE entities audited by the audit service provider			Non-STATE entities not audited by the audit service provider		
	Audit Partner	Other persons involved in the audit	Other persons not involved in the audit	Audit Partner of non-STATE entity audit	Other persons involved in any non-STATE entity audit	Other persons not involved in any non-STATE entity audit
Directorship	x	x	x	✓ ²	✓	✓
Audit committee chair/member	x	x	x	✓ ³	✓	✓
Internal audit	x	x	x	✓ ³	✓	✓
Consultancy/ advisory	x	x	x	✓	✓	✓
Other assurance	✓	✓	✓	✓	✓	✓
<p>1. Before accepting an engagement to provide a non-assurance service to a STATE entity not audited by the audit service provider, a determination shall be made as to whether providing such a service would:</p> <p>(i) create a threat to independence of the audit service provider in relation to other STATE entities audited by the audit service provider</p>						

(ii) adversely impact on the requirement for the Auditor-General to act independently in relation to the performance of the functions of the Auditor-General. (This is in recognition of the Auditor-General's power to delegate any function or power of the Auditor-General under the Audit Act to an audit service provider).

In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the audit service provider has reason to believe is created by providing other related non-assurance services. If a threat is created that cannot be reduced to an acceptable level by the application of safeguards, the non-assurance service shall not be provided.

2. Permitted – e.g. engagement leader for a contracted council audit

3. Permitted – e.g. engagement leader for a contracted council audit, but also member of an audit panel for another council. However, must consider:

- familiarity threats e.g. engagement leader reporting to chair of audit panel for one council, but both individuals are audit panel members for another council
- impact on independence e.g. engagement leader on a council audit and audit panel member/internal audit provider for another council, but both councils share resources.



10 Review

This policy will be reviewed 12 months after implementation and every 3 years after that.

11 Who to Contact About this Policy

Any queries is directed to Deputy Auditor-General.

12 Approval

The Independence Contract Audit Service Provider becomes effective on the date approved by the Executive Management Committee.

13 Revision/Change Log

Version 1.0	
Policy endorsed by:	Executive Management Committee
Policy approved by:	Auditor-General
Policy effective from:	14 March 2019
Policy to be reviewed by:	14 March 2020
Manager responsible for policy:	Manager Corporate Services / QA Team Leader