

FIN015 – Use of External Auditors and Non-Audit Services Policy

1. POLICY CERTIFICATION

Policy title:	Use of External Auditors and Non-Audit Services
Policy number:	FIN015
Category:	Policy
Classification:	Finance
Status:	Approved

2. PURPOSE

To maintain the highest standards of corporate governance in relation to auditor Independence, this policy sets out whether non-audit services may be provided by the external auditor without impacting their independence in relation to the statutory audit(s).

3. POLICY SCOPE

The scope of the external audit includes any work required to be performed by the external auditor to form his/her opinion on the financial statements for Roper Gulf Regional Council, other disclosing entities within Roper Gulf Regional Council and subsidiaries or joint ventures requiring audit for the half-year and year-end.

4. POLICY STATEMENT

Roper Gulf Regional Council’s Auditor shall perform certain services as outlined in this policy.

5. DEFINITIONS

Term	Definition
Non-Audit Services	Any service provided by the External Auditor under engagement with the group outside the scope of the external audit.
Shall	Will
RGRC	Roper Gulf Regional Council

6. PRINCIPLES

6.1 Prohibitions of specific services

The external auditor shall not provide services that have the potential to impair or appear to impair the independence of their audit role. Generally, these include services where the external auditor:

- participates in activities that are normally undertaken by management
- is remunerated through a “success fee” structure
- acts in advocacy role for Roper Gulf Regional Council; or
- where the auditor may be required to audit their own work.

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The concepts of independence and integrity are more a state of mind and as such are not conducive to prescription by detailed rules. However, the following activities are examples of services that should not be provided by the external auditor:

- book-keeping, presentation of, and other services in relation to, accounting records and financial statements;
- the design and implementation of financial information systems or financial controls;
- valuation services for valuations to be incorporated in Roper Gulf Regional Council's financial report;
- outsourced internal audit services;
- secondments to Roper Gulf Regional Council where the audit firm secondee acts as an Roper Gulf Regional Council employee or performs any decision-making, supervisory or ongoing monitoring functions;
- human resources and recruitment services;
- actuarial services;
- management functions; and
- broker dealer or investment advisor services.

6.2 Provision of specific services

In addition to audit services, the external auditor will be permitted to provide other non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditor, subject to the authorisation process outlined below:

- by Director of Corporate Governance for routinely carried out other assurance and audit engagements where the fee for the engagement is less than \$ 10,000
- by the Chief Executive Officer for all non-audit services where the proposed fee for the engagement exceeds \$10,000; and is less than \$100,000, and
- by the Council or Finance Committee for all non-audit services where the proposed fee exceeds \$100,000.

A list of all non-audit services provided by the external audit will be presented to the Audit Committee when reviewing the year end financial reports and end of year report of all engagement. The auditor will provide an independence letter detailing their compliance with their own internal policies on auditor independence in relation to all their dealings with Roper Gulf Regional Council, Professional Statement F1, as well as compliance relevant legislative, regulatory and professional requirements.

6.3 Preparation of accounting records and financial reports

As part of their role in reviewing the financial statements, the external auditor may provide advice and technical assistance with accounting standards, principles, disclosures or appropriateness of controls; assisting in the preparation of consolidated financial reports; and proposing adjusting journal entries. For other accounting and bookkeeping services, including payroll, the significance of the self-review threat is high and safeguards are required if the service is offered.

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Accounting or bookkeeping services on financial information that forms the basis of the financial report cannot be undertaken as there is no safeguard that will reduce the threat to an acceptable level (except in two limited situations detailed in Professional Statement F1).

In no circumstances must the auditor originate, authorise or approve transactions on behalf of Roper Gulf Regional Council.

6.4 Valuation services

A self-review threat exists whenever the Auditor provides Roper Gulf Regional Council with valuation services that result in the preparation of a valuation that is to be incorporated into Roper Gulf Regional Council's financial report. The significance of the self-review threat is considered too high to allow the provision of service where the valuation relates to amounts that are material in relation to the financial report and where the valuation involves a significant degree of subjective judgment. In these circumstances, which include Independent Expert Reports, the Auditor will not be engaged by Roper Gulf Regional Council.

In all other cases, for example valuations for security holder value strategies and regulatory advice, Roper Gulf Regional Council may engage and the Auditor may undertake the service after considering whether additional safeguards are needed to mitigate a remaining self-review threat. "Additional safeguards" include using an expert team with different individuals (including engagement partner) and different reporting lines to those of the audit engagement team.

6.5 Taxation

Services relating to taxation are advisory services that may assist Roper Gulf Regional Council to determine, plan and report on tax consequences related to their activities. As they are advisory services, this work should not usurp Roper Gulf Regional Council's management function and the provision of such services would not create a threat to independence.

Appropriate services Include:

- Acting as tax agent;
- Review and advise accounting records to assist with queries from revenue authorities;
- Review and advise tax returns for the entity or for employees; and
- Providing tax advice in relation to transfer pricing, ATO audits, GST and employee affairs such as superannuation, FBT and payroll tax.

6.6 Design and implementation of financial information technology systems

The Provision of services by the auditor to Roper Gulf Regional Council that involve the design and implementation of financial information technology systems (FITS) used to generate information forming part of the audit client's financial report may give rise to a self-review threat.

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The external audit firm would not be engaged to perform design and implementation of financial information technology systems unless there are exceptional circumstances that require such an outcome.

If such a requirement arises, both the auditor and the RGRC would implement a strategy to ensure the audit function was not compromised.

6.7 Management controls

As part of the external audit engagement, the external auditor may in connection with the assessment, design, and implementation of internal accounting controls and risk management controls, provided the auditor does not act as an employee or perform management functions.

As part of the external audit engagement, the external auditor may provide advice in respect of internal accounting or risk management, such as data integrity and controls advisory work.

6.8 Corporate finance and similar activities

Corporate finance encompasses a range of services. These include functions such as Accounts Payable, Accounts Receivable, Bank Reconciliations, Financial Asset Register, Investment Strategies, Preparation of Financial & Management Report, Annual Budgets, Reconciliation of General Ledger, Journal Maintenance, Rating and Property maintenance, maximising income generation etc. Safeguards that are generally available to counter potential advocacy or self-review threats include:

- prohibiting the auditor from making managerial decisions on Roper Gulf Regional Council's behalf
- using individuals not involved in the audit to undertake the work; and ensuring the auditor does not commit Roper Gulf Regional Council to a transaction or the terms of a transaction

6.9 Assurance and similar services

Due diligence, forensic and investigative accounting assistance, advice in relation to disaster recovery, and risk assessment advice may be services that are appropriate for the auditor to undertake. These are services that could provide benefits to Roper Gulf Regional Council as a result of the auditor's experience and knowledge of the business so long as the risk of self review is explicitly managed.

Assessment or assurance services on environmental, social, or similar reports may also be undertaken by the auditor.

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7. REFERENCES

Acknowledgements (original author/source documents)	
Related Policies	<i>Nil</i>
Related Publications	<i>Nil</i>
Relevant Forms	<i>Nil</i>

8. DOCUMENT CONTROL

Policy number	015
Policy Owner	Finance
Endorsed by	FCM
Date approved	26 August 2015
Revisions	
Amendments	
Next revision due	July 2017

9. CONTACT PERSON

Contact person

**Manager Governance, Corporate
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