



UNIVERSITY
OF SUSSEX

Finance Division

POLICY FOR THE USE OF INTERNAL AND EXTERNAL AUDITORS FOR NON-AUDIT SERVICES

Part 1: Engaging Internal Auditors for non-audit services

1. Overarching Principles

- 1.1 The independence and objectivity of the internal auditors is an important element of the good governance of the University.
- 1.2 Within certain parameters, the internal auditors can provide certain non-audit services but their independence and objectivity must be safeguarded at all times.

2. Scope of this Policy

- 2.1 This document sets out the policy for the appointment and remuneration of the internal auditors for any non-audit work undertaken on behalf of the institution. It outlines the control processes that will be put in place to ensure compliance with the policy.
- 2.2 This policy defines two types of non-audit related services being:
 - Prohibited non-audit services - Which the internal auditors are explicitly excluded from undertaking
 - Permitted non-audit services - Where specific approval from the Audit and Risk Committee is required before the internal auditors are contracted.
- 2.3 The policy also makes provision, with appropriate notification after the fact, for the Audit and Risk Committee to pre-approve use of the internal auditors as a matter of policy without the need to seek specific approval of the Committee prior to contracting with the internal auditors for engagement (“pre-approved permitted non-audit services”).

3. Responsibility for Policy Implementation and Amendment

- 3.1 The Chief Financial Officer is responsible for the implementation of this policy. Where a service is not listed below, or categorisation is difficult, the Chief Financial Officer will consult with the Chair of the Audit and Risk Committee to determine the correct application of the policy.
- 3.2 The categories of non-audit services set out below can be amended only by the Audit and Risk Committee.

4. Prohibited Non-Audit Services

- 4.1 In addition to any non-audit service provision specifically prohibited by law or relevant UK guidance, certain non-audit activities are prohibited on the basis that they may

involve the making of executive judgements or decisions which could compromise objectivity when undertaking internal audit services. This will include:

- Design or implementation of financial information or information technology systems that may be relied on whilst carrying out audit services;
- Providing recruitment services in relation to key management positions within the University, or seconding employees to key management positions within the University, or advising on the quantum of the remuneration package of employees in key management positions; and
- any joint business activity, save as otherwise agreed by the Audit and Risk Committee.

4.2 The internal auditors may not undertake external audit services.

5. Permitted non-audit services

5.1 In some circumstances the internal auditors' detailed understanding of the University's business may make it more appropriate to instruct them to undertake permitted non-audit services rather than another body, for example for reasons of efficiency or confidentiality. These services are:

- Investigation or review of areas of concern arising from a proven or suspected fraud, or other incidents giving rise to concerns over control weaknesses;
- Assistance with tax compliance activities and advice and consultancy on recent developments and/or complex or high risk areas;
- Secondments to lower level positions; and
- Other activities as may be agreed by the Audit and Risk Committee from time to time.

6. Pre-approved permitted non-audit services

6.1 Except where the internal auditors are appointed to undertake a fraud or financial investigation, where work is not disallowed under paragraph 4, above, the internal auditors may be appointed by the Chief Financial Officer to carry out individual assignments without further approval of the Audit and Risk Committee, subject to the following conditions:

Control investigation or review:

- The value of any individual assignment must not exceed £30,000 net of VAT; and
- there can be no more than five assignments approved in this way in any one financial year; and
- irrespective of the number of assignments, the total cumulative value of individual assignments approved in this way cannot exceed the value of either the internal audit fee for the prior financial year or £100,000 net of VAT, whichever is the lower.

6.2 The internal auditors will normally be appointed to undertake an investigation of proven or suspected frauds or other incidents giving rise to concerns over control weaknesses, and may be appointed by the Chief Financial Officer without reference to the limits outlined above in section 5.

6.3 Appointment will be notified to the Audit and Risk Committee Chair within one week where an appropriate meeting is not scheduled, with written notice to the Audit and Risk Committee at its next scheduled meeting.

6.4 Where these conditions are not met the agreed approval process as set out below must be followed.

7. Approval process

7.1 Except where pre-approved in accordance with paragraphs 5 and 6, above, the advance written approval of the Audit and Risk Committee must be obtained for the engagement of the internal auditor with respect to any permitted non-audit services.

Assignments tendered under procurement policy

7.2 All assignments must be procured in accordance with the University's purchasing policy. If an assignment must be tendered under the purchasing policy the inclusion of the internal auditor on the tender list will require the prior approval of the Audit and Risk Committee, via written consent if there is no scheduled meeting due.

7.3 A specific written request for authorisation for inclusion on a tender list for the provision of non-audit services must be submitted to the Audit and Risk Committee by the Chief Financial Officer. Each request will include:

- A description of the service to be provided;
- An explanation of the rationale for including the internal auditor;
- The safeguards in place to eliminate or reduce to an acceptable level any potential threat to auditor objectivity; and
- An estimate of the total fees (including reasonable expenses) that will accrue to the internal auditor in the provision of the services; and
- An estimate of the total cumulative fees (including reasonable expenses) that will accrue to the internal auditor in the provision of all of its services for the year in question.

Once approval is received the internal auditor may be included in the tender list.

7.4 Where, following the tender process, the internal auditor is appointed to carry out the work the Chief Financial Officer will notify the Audit and Risk Committee within one week where an appropriate meeting is not scheduled.

Assignments below £30,000 but exceeding the annual limits for pre-approval

8. Where an assignment is below £30,000 net of VAT in value but is not eligible for pre-approval, within the pre-approval framework, owing to the cumulative number or value of other assignments already pre-approved, a specific written request must be submitted to the Audit and Risk Committee by the Chief Financial Officer for its consent, whether at a scheduled meeting or by written consent where an appropriate meeting is not scheduled.

8.1 Each request will include:

- A description of the service to be provided;
- An explanation of the rationale for appointing the internal auditor;

- The safeguards in place to eliminate or reduce to an acceptable level any potential threat to auditor objectivity; and
- an estimate of the total fees (including reasonable expenses) that will accrue to the internal auditor in the provision of the services; and
- an estimate of the total cumulative fees (including reasonable expenses) that will accrue to the internal auditor in the provision of all of its services for the year in question.

Once approval is received the internal auditor may be appointed to carry out the assignment.

9. Regular reporting to Audit and Risk Committee

- 9.1 The Audit Committee will be notified of all non-audit work and fees paid each term at the regularly scheduled termly meetings.

Part 2: Use of external auditors for non-audit services

1. Overarching Principles

- 1.1 The independence and objectivity of the external auditors is an important element of the good governance of the University.
- 1.2 Within certain parameters, the external auditors can provide certain non-audit services but their independence and objectivity must be safeguarded at all times.

2. Scope of this Policy

- 2.1 This document sets out the policy for the appointment and remuneration of the external auditors for any non-audit work undertaken on behalf of the institution. It outlines the control processes that will be put in place to ensure compliance with the policy.
- 2.2 This policy defines two types of non-audit related services being:
- those which the external auditor is explicitly excluded from undertaking (“prohibited non-audit services”); and
 - those which are permitted where specific approval from the Audit and Risk Committee is obtained before the external auditor is contracted (“permitted non-audit services”).
- 2.3 The policy also makes provision, with appropriate notification after the fact, for the Audit and Risk Committee to pre-approve use of the external auditor as a matter of policy without the need to seek specific approval of the Committee prior to contracting with the Auditor for engagement (“pre-approved permitted non-audit services”).

3. Responsibility for Policy Implementation and Amendment

- 3.1 The Chief Financial Officer is responsible for the implementation of this policy. Where a service is not listed below, or categorisation is difficult, the Chief Financial Officer will consult with the Chair of the Audit and Risk Committee to determine the correct application of the policy.

3.2 The categories of non-audit services set out below can be amended only by the Audit Committee.

4. Prohibited non-audit services

4.1 In addition to any non-audit service provision specifically prohibited by law or relevant UK guidance, the following activities are prohibited on the basis that they may involve the making of judgements or decisions which would compromise objectivity when undertaking the external audit:

- Work related to accounting records and financial statements that will ultimately be subject to external audit;
- Taxation assignments where fees are contingent and/or dependent on uncertain tax law and audit judgement;
- Taxation advocacy before a regulatory or statutory body on a matter which is material to the financial statement or dependent on audit judgement;
- Taxation Planning;
- Handling Taxation payments on behalf of the University;
- Internal audit services;
- Design or implementation of financial information or information technology systems;
- Valuation and/or other appraisal services where the results will or maybe incorporated in audited financial statements;
- Actuarial valuation services where the valuation has a potentially material effect on the financial statements;
- Corporate finance or corporate transaction services for the University;
- Legal services involving matters where the outcome has a potentially material effect on the University's financial statements;
- Litigation support services where this would involve an estimation that could have potentially material effect on the University's financial statements;
- Providing recruitment services in relation to key management positions within the University or seconding employees to key management positions within the University or advising on the quantum of the remuneration package of employees in key management positions;
- Any joint business activity save as otherwise agreed by the Audit Committee; and
- Providing actuarial or pension valuation services to the University.

5. Permitted non-audit services

5.1 In some circumstances the external auditors' detailed understanding of the University's business may make it more appropriate to instruct them to undertake permitted non audit services rather than another body, for example for reasons of efficiency or confidentiality. These services are:

- Advice on the preparation of financial information and the application of GAAP or training support for accounting projects and in relation to accounting standards;
- Audit related services as defined in the APB Ethical standard 5 (Revised) as amended from time to time;

- Assistance in tax compliance activities and advice on recent developments and/or complex or high risk areas;
- Secondments to lower level positions; and
- Other activities as may be agreed by the Audit and Risk Committee from time to time.

6. Pre-approved permitted non-audit services

- 6.1 Where work is not disallowed under paragraph 4, above, the external auditors may be appointed by the Chief Financial Officer to carry out individual assignments without further approval of the Audit and Risk Committee, subject to the following conditions:
- The value of any individual assignment must not exceed £30,000 net of VAT; and
 - There can be no more than five assignments approved in this way in any one financial year; and
 - Irrespective of the number of assignments, the total cumulative value of individual assignments approved in this way cannot exceed the value of either the external audit fee for the prior financial year or £100,000, whichever is the lower.
- 6.2 Appointment will be notified to the Audit and Risk Committee Chair within one week where an appropriate meeting is not scheduled, with written notice to the Audit and Risk Committee at its next scheduled meeting.
- 6.3 Where these conditions are not met the agreed approval process as set out below must be followed.

7. Approval process

- 7.1 Except where pre-approved in accordance with paragraph 10, above, the advance written approval of the Audit Committee must be obtained for the engagement of the external auditor with respect to any permitted non-audit services.

Assignments tendered under procurement policy

- 7.2 All assignments must be procured in accordance with the University's purchasing policy. If an assignment must be tendered under the purchasing policy the inclusion of the internal auditor on the tender list will require the prior approval of the Audit and Risk Committee, via written consent if there is no scheduled meeting due.
- 7.3 A specific written request for authorisation for inclusion on a tender list for the provision of non-audit services must be submitted to the Audit and Risk Committee by the Chief Financial Officer.

Each request will include:

- a description of the service to be provided
- an explanation of the rationale for including the external auditor
- the safeguards in place to eliminate or reduce to an acceptable level any potential threat to auditor objectivity; and
- an estimate of the total fees (including reasonable expenses) that will accrue to the external auditor in the provision of the services

- an estimate of the total cumulative fees (including reasonable expenses) that will accrue to the external auditor in the provision of all of its services for the year in question.

Once approval is received the external auditor may be included in the tender list.

- 7.4 Where, following the tender process, the external auditor is appointed to carry out the work the Chief Financial Officer will notify the Audit and Risk Committee within one week where an appropriate meeting is not scheduled.

Assignments below £30,000 but exceeding the annual limits for pre-approval

8. Where an assignment is below £30,000 net of vat in value but is not eligible for pre-approval within the pre-approval framework owing to the cumulative number or value of other assignments already pre-approved, a specific written request must be submitted to the Audit Committee by the Chief Financial Officer for its consent, whether at a scheduled meeting or by written consent where an appropriate meeting is not scheduled.

- 8.1 Each request will include:

- a description of the service to be provided
- an explanation of the rationale for appointing the external auditor
- the safeguards in place to eliminate or reduce to an acceptable level any potential threat to auditor objectivity ;and
- an estimate of the total fees (including reasonable expenses) that will accrue to the external auditor in the provision of the services
- an estimate of the total cumulative fees (including reasonable expenses) that will accrue to the external auditor in the provision of all of its services for the year in question.

Once approval is received the external auditor may be appointed to carry out the assignment.

9. Regular reporting to Audit and Risk Committee

- 9.1 The Audit and Risk Committee will be notified of all non-audit work and fees paid each term at the regularly scheduled termly meetings.

Review / Contacts / References	
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Policy owner:	Chief Financial Officer

Lead contact / author:	Assistant Director of Finance (Finance Corporate Services)
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