



Policy for the use of external auditors for non-audit services

Contents

- 1. Purpose 3
- 2. Principles 3
- 3. Scope 3
- 4. Responsibilities 4
- 5. Prohibited Non-Audit Services..... 4
- 6. Permitted Non-Audit Services 5
- 7. Pre-approved Permitted Non-Audit Services 5
- 8. Approval Process..... 6
- 9. Assignments exceeding £10,000 6
- 10. Assignments below £10,000 but exceeding the annual limits for pre-approval..... 7
- 11. Regular reporting to Audit Committee 7

1. Purpose

1.1 The purpose of this Policy is to ensure that the provision of non-audit services by the company or partnership providing external audit work to the University Group does not impair the external auditor's objectivity and independence (or perceptions of its objectivity and independence) in its opinion, provided ultimately to the Board of Governors, that the annual financial statements:

- provide a true and fair view of the financial results for the year;
- have been prepared in accordance with the appropriate accounting standards; and
- are in accordance with the Office for Students (OfS) Accounts Direction.

The external auditors also make a judgement on whether the OfS and other funds provided for specific purposes have been applied for their intended purpose and provide an assessment as to whether the University is a going concern for the purposes of accounts preparation.

1.2 As a term and condition of funding, the OfS requires that a registered HE providers' Audit Committee agrees all significant matters with a bearing on the auditor's objectivity and independence and makes a specific disclosure in the financial statements on the fees paid to the external auditors for non-audit services. This is underpinned by the [Committee of University Chairs \(CUC\) Code of Practice for Audit Committee's](#) which recommends the implementation of a policy on the provision and pre-approval of all non-audit services by the external auditors.

2. Principles

2.1 The independence and objectivity of the external auditors is an important element of the good governance of the University.

2.2 Within certain parameters, the external auditors can provide certain non-audit services (see sections 6 and 7) but their independence and objectivity must be safeguarded at all times.

3. Scope

3.1 This Policy sets out the approach for the appointment and remuneration of external auditors for any non-audit work undertaken on behalf of the University, and/or its subsidiary companies, otherwise known as the University Group. It outlines the control processes that will be put in place to ensure compliance with the Policy.

3.2 This Policy defines three types of non-audit related services being

- Prohibited non-audit services: those which the external auditor is explicitly excluded from undertaking (section 5 below);
- Permitted non-audit services: those which are permitted where specific approval from the Audit Committee is obtained before the external auditor is contracted (see 6 below); and
- Pre-approve permitted non-audit services: provision, with appropriate notification after the fact, for the Audit Committee to pre-approve use of the external auditors as a matter of policy without the need to seek specific approval of the Committee prior to contracting with the auditor for engagements (see Section 7 below).

4. Responsibilities

4.1 The Director of Finance and Resources is responsible for the implementation of this Policy. Where a service is not listed below, or categorisation is difficult, the Director of Finance and Resources will consult with the Chair of Audit Committee to determine the correct application of the policy.

4.2 Formal approval of this Policy rests with the Audit Committee and the categories of non-audit services set out below can only be amended by the Audit Committee.

4.3 Regular review of the Policy rests with the University Secretary, in their capacity as Clerk to the Board of Governors.

5. Prohibited Non-Audit Services

5.1 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 statements 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 service 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.

6. Permitted Non-Audit Services

6.1 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 for efficiency or confidentiality. These services are:

- Advice on the preparation of financial information and the application of Generally Accepted Accounting Principles (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 within the University; and
- Other activities as may be agreed by the Audit Committee from time to time.

7. Pre-approved Permitted Non-Audit Services

7.1 Where work is not disallowed under Section 5 above, the external auditors may be appointed by the Director of Finance and Resources to carry out individual assignments without further approval of the Audit Committee, subject to the following conditions:

- The value of any individual assignment must not exceed £10,000 inclusive 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 £50,000, whichever is the lower.

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

7.3 Where these conditions are not met the agreed approval process as set out (Section 8) below must be followed.

8. Approval Process

8.1 Except where pre-approved in accordance with paragraph 7 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.

9. Assignments exceeding £10,000

9.1 Any assignment in excess of £10,000 inclusive of VAT can only be awarded to the external auditor after competitive tender. The inclusion of the external auditor on a tender list requires the prior approval of the Audit Committee via written consent if there is no scheduled meeting due.

9.2 A specific written request for authorisation for inclusion on a tender list for the provision of non-audit service must be submitted to the Audit Committee by the Director of Finance and Resources.

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 expense) 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 service for the year in question.

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

- 9.3 Where, following the tender process, the external auditors are appointed to carry out the work the Director of Finance and Resources will notify the Audit Committee within one week where an appropriate meeting is not scheduled.

10. Assignments below £10,000 but exceeding the annual limits for pre-approval

- 10.1 Where an assignment is below £10,000 inclusive of VAT 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 Director of Finance and Resources for its consent, whether at a scheduled meeting or by written consent where an appropriate meeting is not scheduled.
- 10.2 The request will follow the same format as that set out at para 9.2.

11. Regular reporting to Audit Committee

- 11.1 The Audit Committee will be notified of all non-audit work, if this has occurred, and fees paid since the previous meeting at the regularly scheduled termly meetings.

Version	Draft 1
Author	University Secretary
Approving Body	Audit Committee
Approval Date	November 2022
Review Date	3 years after approval November 2025
Accessibility Checked	
Equality Impact Assessment	N/A
Related documents	Financial Regulations

