

Checklist for the Review and Approval of Procedural Documents

To be completed and attached to any document which guides practices when submitted to the appropriate committee for consideration and approval.

	Yes/No/ Unsure	Comments
Title of Document		Policy for the Engagement of External Auditors for Non-Audit Work
Could this policy be incorporated within an existing policy?	N	
Does this policy follow the style and format of the agreed template?	Y	
Has the front sheet been completed?	Y	
Is there an appropriate review date?	Y	
Does the contents page reflect the body of the document?	Y	
Are there measurable standards or KPIs to support the monitoring of compliance with and effectiveness of the document?	N	N/A
Are all appendices appropriate and/or applicable?	Y	
Have all appropriate stakeholders been consulted?	N	To follow the inclusion of any comments from the members and attendees at the Audit Committee Meeting
Has an Equality Impact Assessment been undertaken?	Y	
Is there a clear plan for implementation?	Y	
Has the document control sheet been completed?	Y	(see appendix A)
Are key references cited and supporting documents referenced?	Y	
Does the document identify which Committee/Group will approve it?	Y	

Plans for communicating policy to – staff; practice membership; public (as appropriate)	Y	Policy will be posted on the intranet and circulated in the weekly newsletter
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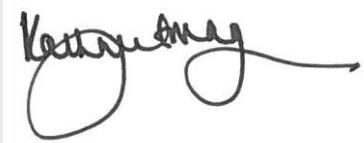
Individual Approval

If you are happy to approve this document, please sign and date it and forward to the chair of the committee/group where it will receive final approval.

Name	Caroline Hall	Date	April 2017
Signature			

Committee Approval

If the committee is happy to approve this document, please sign and date it and forward copies to the person with responsibility for disseminating and implementing the document and the person who is responsible for maintaining the organisation’s database of approved documents.

Name	Kathryn Magson	Date	13 Jun 2017
Signature			



POLICY FOR THE ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK

Version Number	1.2
Ratified By	Exec Team
Date Ratified	
Name of Originator/Author	Caroline Hall
Responsible Director	Chief Finance Officer
Staff Audience	All Staff
Date Issued	
Next Review Date	June 2019

DOCUMENT CONTROL

Plan Version	Page	Details of amendment	Date	Author
1.0		New Plan	Jan 15	AW
1.2		EQIA updated	Apr 17	AY

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1.	INTRODUCTION
	<p>Herts Valleys Clinical Commissioning Group (HVCCG) recognises that it is important that the independence of external auditors, real or perceived, is not impaired through the provision of non-audit services.</p> <p>To ensure the independence and objectivity of the external auditors, the following policy in connection with the non-audit services by external auditors has been approved.</p>
2.	PURPOSE
	<p>External auditors may identify the need to undertake work in excess of that assumed in the specifications agreed by the Audit Commission currently and in future, determined as necessary by the CCG when appointing its own external auditors. In these situations the Chief Finance Officer can authorise additional expenditure as long as it is less than £25,000 or 25% of the audit fee for the year, whichever is the lower. Expenditure on additional audit work which is estimated to cost more than these values will need to be approved by the Audit Committee.</p> <p>The purpose of this policy is to:</p> <ul style="list-style-type: none"> • Set out the threats to audit independence and identify the types of non-audit work that should not be commissioned from external auditors • Describe the decision-making processes that should operate when these questions are considered
3.	ROLES AND RESPONSIBILITIES
3.1	Roles and Responsibilities within the Organisation
3.1.1	The Chief Finance Officer is responsible for authorising additional expenditure in line with the terms of this policy.
3.1.2	CCG Directors and the Head of Corporate Governance are responsible for acting as “project sponsors” in line with the terms of the CCG’s Procurement policy and Details Financial policies.
3.1.3	All CCG staff are responsible for complying with the terms of this policy.
3.2	Consultation and Communication with Stakeholders

	<p>The stakeholders that have been consulted in relation to this policy are:</p> <ul style="list-style-type: none"> • Audit Committee members • External auditors • Internal auditors 								
4.	CONTENT								
4.1	Threats to Independence								
	<p>It is important to ensure that any non-audit work undertaken by the external auditors does not impair, or be seen to impair the objectivity of their opinion on the financial statements.</p> <p>The Institute of Chartered Accountants in England and Wales sets out threats to independence as</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">SELF INTEREST</td> <td>Where an interest in the outcome of their work or in maintaining a relationship with the CCG may conflict with the auditors' objectivity</td> </tr> <tr> <td>SELF AUDIT</td> <td>Where the auditors may be checking their own colleagues' work and might feel constrained from identifying risks and shortcomings</td> </tr> <tr> <td>ADVOCACY</td> <td>Which may be present in an engagement but which could become a threat if an auditor becomes an advocate for an extreme position in an adversarial manner</td> </tr> <tr> <td>FAMILIARITY OR TRUST</td> <td>Where the level of constructive challenge provided by the auditor is diminished as a result of assumed knowledge or relationships within the CCG</td> </tr> </table>	SELF INTEREST	Where an interest in the outcome of their work or in maintaining a relationship with the CCG may conflict with the auditors' objectivity	SELF AUDIT	Where the auditors may be checking their own colleagues' work and might feel constrained from identifying risks and shortcomings	ADVOCACY	Which may be present in an engagement but which could become a threat if an auditor becomes an advocate for an extreme position in an adversarial manner	FAMILIARITY OR TRUST	Where the level of constructive challenge provided by the auditor is diminished as a result of assumed knowledge or relationships within the CCG
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FAMILIARITY OR TRUST	Where the level of constructive challenge provided by the auditor is diminished as a result of assumed knowledge or relationships within the CCG								
4.2	<p>Defining Types of Non-Audit Work and the Associated Approval Processes</p> <p>There may be occasions when the external auditors are best placed to undertake work on behalf of the CCG because of their in-depth knowledge of the organisation. However there are clearly certain activities that would jeopardise the external auditors' independence and these will be prohibited:</p> <ul style="list-style-type: none"> • Work related to accounting records and financial statements that will ultimately be subject to external audit; • Management of, or significant involvement in, internal audit services; • Secondment to or other involvement in management positions that involve any decision-making; 								

	<ul style="list-style-type: none"> • Any work where a mutuality of interest is created that could compromise the independence of external auditors, and • Any other work that is prohibited by UK ethical guidance. <p>Subject to these prohibitions, it is permissible for the external auditors to undertake non-audit work; however any such work can only be undertaken to the extent that it does not involve any decision-making or design of internal controls that have an impact on accounting records and financial statements.</p> <p>Any proposal to engage the external auditors to undertake non-audit work will require a CCG Director or the Head of Corporate Governance to act as “project sponsor” and adherence to all of the procurement, competition and financial limits set out in the CCG’s Detailed Financial Policies. Where any non-audit work proposal involves expenditure in excess of the CCG’s tender limit of £50,000 the decision will be referred to the Audit Committee for determination.</p>
5.	MONITORING COMPLIANCE
	<p>The external auditors will include within their annual report to those charged with governance an appendix that summarises any additional non-audit work that they have undertaken for the CCG.</p> <p>The Audit Committee will review the operation of the policy annually and agree any amendments to the categories of work that may or may not be undertaken. The process for approving requests to engage the external auditors for non-audit work will also be reviewed annually by the Chief Finance Officer and this policy updated as necessary.</p>
6.	EDUCATION AND TRAINING
	<p>No training requirements have been identified in relation to this policy, however all staff should make themselves familiar with the policy, as well as the CCG’s Procurement policy and Detailed Financial Instructions.</p>
7.	REFERENCES
	<ul style="list-style-type: none"> • Health and Social Care Act 2012 • Ethical Standard 5, ICAEW
8.	ASSOCIATED DOCUMENTATION
	<ul style="list-style-type: none"> • HVCCG Detailed Financial Instructions • HVCCG Procurement policy • HVCCG Anti-Fraud and Bribery policy • HVCCG Business Code of Conduct

Appendix A- Ethical standard 5

Area	Example of work	Appropriate safeguards	Unacceptably high risk
Internal audit	For example, the audit firm may be engaged: <ul style="list-style-type: none"> ■ to outsource the audit clients entire internal audit function; or ■ to supplement the audit client's internal audit function in specific areas (for example, by providing specialised technical services or resources in particular locations); or ■ to provide occasional internal audit services to the audit 	<ul style="list-style-type: none"> • Internal audit projects are performed by partners and staff who have no involvement in the external audit. ■ The audit of the financial statements is reviewed by an audit partner who is not a partner who is not involved in the audit engagement to ensure that the internal audit work performed has been properly and effectively addressed in the context of the external audit 	<ul style="list-style-type: none"> • For the purposes of the audit of the financial statements, the auditors would place significant reliance on the internal audit work performed by the audit firm; or • For the purposes of the internal audit services, the audit firm would undertake part of the role of management.
Information technology	Engagements to design, provide or implement information technology systems that are not important to any significant part of the accounting system or to the production of the financial statements and do not have significant reliance placed on them by the auditors, may be undertaken, provided that 'informed management' has been designated by the audit client and provided that appropriate safeguards are in place.	<ul style="list-style-type: none"> ■ Information technology projects undertaken by the audit firm are performed by partners and staff who have no involvement in the external audit of the financial statements; ■ The audit of the financial statements is reviewed by an audit partner who is not involved in the audit engagement to ensure that the information technology work performed has been properly and effectively assessed in the context of the audit of the financial statements. 	<ul style="list-style-type: none"> ■ The systems concerned would be important to any significant part of the accounting system or to the production of the financial statements and the auditors would place significant reliance upon them as part of the audit of the financial statements; or ■ For the purposes of the information technology services, the audit firm would undertake part of the role of management.
Tax services	The range of activities encompassed by the term 'tax services' is wide. Three broad categories of tax service can be distinguished. They are where the audit firm: <ol style="list-style-type: none"> a) provides advice to the audit client on one or more specific matters at the 	<ul style="list-style-type: none"> ■ The tax services are reviewed by an independent tax partner, or other senior tax employee; • External independent advice is obtained on the tax work; ■ Tax computations prepared by the audit team are reviewed by a partner or senior 	The audit firm should not: <ul style="list-style-type: none"> ■ promote tax structures or products or undertake an engagement to provide tax advice to an audit client where the audit engagement partner has, or ought to have, reasonable doubt as to the appropriateness of the related accounting.

Area	Example of work	Appropriate safeguards	Unacceptably high risk
	<p>request of the audit client; or b) undertakes a substantial proportion of the tax planning or compliance work for the audit client; or c) promotes tax structures or products to the audit client, the effectiveness of which is likely to be influenced by the manner in which they are accounted for in the financial statements.</p>	<p>staff member with appropriate expertise who is not a member of the audit team; or</p> <ul style="list-style-type: none"> ▪ An audit partner not involved in the audit engagement reviews whether the tax work has been properly and effectively addressed in the context of the audit of the financial statements. 	<p>Treatment involved, having regard to the requirement for the financial statements to give a true and fair view in accordance with the relevant financial reporting framework.</p> <ul style="list-style-type: none"> ▪ Undertake an engagement to provide tax services to an audit client wholly or partly on a contingent fee basis where: <ul style="list-style-type: none"> a) The engagement fees are material to the audit firm or the part of the firm by reference to which the audit engagement partner's profit share is calculated; or b) The outcome of those tax services (and , therefore, the entitlement to the fee) is dependent on: <ul style="list-style-type: none"> ○ The application of tax law which is uncertain or has not been established; and ○ A future or contemporary audit judgment relating to a material balance in the financial statements of the audit client. ▪ Undertake an engagement to provide tax services to an audit client where the engagement would involve the audit firm undertaking a management role. ▪ Undertake an engagement to provide tax services to an audit client where this would involve acting as an advocate for the audit client, before an appeals tribunal or court in the resolution of an issue:

			<ul style="list-style-type: none"> a) That is material to the financial statements: or b) Where the outcome of the tax issue is dependent on a future or contemporary audit judgement.
Accounting services	<p>The term 'accounting services' is defined as the provision of services that involve the maintenance of accounting records or the preparation of financial statements that are then subject to audit. Advice on the implementation of current and proposed accounting standards is not included in the term 'accounting services'.</p>	<p>Even where there is no engagement to provide any accounting services, it is unusual for the auditors to provide the management with accounting advice on matters that have come to their attention during the course of the audit.</p> <p>For entities other than listed companies or significant affiliates of listed companies, auditors may undertake an engagement to provide accounting services, provided that: such services:</p> <ul style="list-style-type: none"> o do not involve initiating transactions or taking management decisions; and o are of a technical, mechanical or an informative nature; and o appropriate safeguards are applied. 	<p>The audit firm should not undertake an engagement where those accounting services would involve the audit firm undertaking part of the role of management.</p>

Appendix B - HVCCG Equality & Quality Inclusion Analysis Form

Equality Analysis - Equality Impact Assessment Screening Form

Very occasionally it will be clear that some proposals will not impact on the protected equality groups and health inequalities groups.

Where you can show that there is no impact, positive or negative, on any of the groups please complete this form and include it with any reports/papers used to make a decision on the proposal.

Name of policy / service	Policy for the engagement of External Auditors for non-audit work
What is it that is being proposed?	<p>Herts Valleys Clinical Commissioning Group (HVCCG) recognises that it is important that the independence of external auditors, real or perceived, is not impaired through the provision of non-audit services.</p> <p>To ensure the independence and objectivity of the external auditors, this policy in connection with the non-audit services by external auditors has been approved.</p>
What are the intended outcome(s) of the proposal	<ul style="list-style-type: none"> • Threats to audit independence are outlined and the types of non-audit work that should not be commissioned from external auditors are identified • The decision-making processes that should operate when these questions are considered is described
Explain why you think a full Equality Impact Assessment is not needed	This policy relates only to internal audit procedures
On what evidence/information have you based your decision?	The contents of the policy
How will you monitor the impact of policy or service?	Please see section 5 of the policy "Monitoring Compliance"
How will you report your findings?	Via the Audit Committee

Having considered the proposal and sufficient evidence to reach a reasonable decision on actual and/or likely current and/or future impact I have decided that a full Equality Impact Assessment is not required.	
Assessors Name and Job title	Amanda Yeates
Date	April 2017