

POLICY ON THE PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITOR

1 Introduction

1.1 Purpose

The University of Limerick approach to engaging the External Auditor for the performance of audit and other services ensures that those services:

- Are approved by appropriate levels of UL management.
- Do not impair the independence of the External Auditor.
- Are regularly reported to the UL Audit and Risk Committee.

Any engagement of the External Auditor must satisfy applicable rules and legislation. The External Auditor does not have a preferred supplier status for the provision of other services and is to be appointed only when they are best suited to undertake the work and do not have a conflict of interest due to a relationship with another entity.

1.2 Scope

1.2.1 To whom does the policy apply?

The Policy applies to any engagements other than the audit engagement, or consideration of possible engagements, with the Governing Authority appointed External Auditor, which must comply with this policy.

1.2.2 In what situations does the policy apply?

The policy applies to all engagements with the Governing Authority appointed External Auditor other than the audit engagement, it is by virtue of the audit engagement, and assuring the independence of the External Auditor, that this policy applies for all other engagements and to all areas of the University. The policy only applies to the contracted External Auditor and does not apply to any period prior to appointment of the External Auditor or any period after their contract has ended as External Auditor.

This Policy sets out services that are specifically prohibited and also sets out audit and other services that are considered pre-approved. If a service is not pre-approved a stricter approval threshold applies.

1.2.3 Who is responsible for ensuring that the policy (and any associated procedure) is implemented and monitored?

The University of Limerick Audit and Risk Committee has mandated an approval process for engaging the External Auditor. The approval thresholds established are set out in section 4.1.2 of this policy.

It is the responsibility of the Chief Financial and Performance Officer to ensure the implementation, monitoring, and reporting in line with the requirements of this policy. All University staff must ensure that they seek advance approval in line with the process set out in Section 4 of the Policy in advance of any engagement with the External Auditor.

1.3 Definitions

1.3.1 External Auditor

An Independent accounting firm appointed by the Governing Authority on the recommendation of the Audit and Risk Committee, following an open procurement process, to conduct annual financial audits on the consolidated financial statements of the University and the financial statements of its subsidiaries.

1.3.2 Independent

The University of Limerick Governing Authority Audit and Risk Committee must satisfy themselves that the services provided by the External Auditor do not compromise External Auditor independence. Factors that the members should consider include:

- The level of fees paid for the provision of other services as a proportion of total fees paid to the External Auditor.
- Whether the compensation of individuals employed by the External Auditor who are performing the audit of UL is tied to the provision of other services and, if so, whether this impairs or appears to impair the External Auditor's judgement or independence.
- Whether the individuals performing the audit would also be involved in providing other services.
- Whether the audit fees are sufficient to adequately compensate the External Auditors or whether the audit fees are at a level that could increase the need for the External Auditor to perform other services to make the external audit commercially viable.
- The External Auditor's independence declaration which is required to identify whether there have been any contraventions of External Auditor independence requirements.

1.3.3 Non-Audit Services

Non-Audit Services are all services which are neither Audit and Audit Related Services or Prohibited Services. See 1.3.7 for further details.

1.3.4 Audit Related Services

Audit related services comprise work that may be outside the required scope of a statutory audit but is consistent with the role of the statutory External Auditor. Audit related services do not require additional approval from the Audit and Risk Committee.

This category includes work that is reasonably related to the performance of the audit, is a logical extension of the audit scope, is of an assurance or compliance nature, or is work that the External Auditors must or are best placed to undertake. See 1.3.6 for further details.

1.3.5 Prohibited Non-Audit Services

The External Auditor must not provide services that impair, or appear to impair, their independence as External Auditor. Generally, services that are prohibited include those where the External Auditor:

- Participates in activities that are normally undertaken by management.
- Is remunerated by way of success fees, contingent fees, or commissions.

- Acts in an advocacy role for the University.
- May be required to audit their own work.

The following services must not be provided by the External Auditor:

- To take any managerial decision, or to take part in any managerial decision-making.
- The provision of bookkeeping services, i.e., the preparation of client accounting records or financial statements.
- The design, development, implementation, and management of financial information technology systems.
- To make any valuations that are subsequently incorporated in the financial statements.
- Participation in internal audits.
- To act for the client in the resolution of litigation, including tax litigation.
- To participate in the recruitment of senior management for financial, administrative or management functions, or of members of legal entities of the company (board, etc.).As a policy choice of the University, all taxation services, (whether in the nature of advice, opinion, review of existing taxation positions for anything other than the purpose of the statutory audit, compilation of tax return submissions), are specifically prohibited from being provided by the External Audit Firm or any employees thereof. This applies to all forms of taxation whether corporation tax, capital gains tax, income tax, payroll taxes, or VAT.

1.3.6 Pre-approved Audit Related and other Assurance Services

Pre-approved audit related, and other assurance services comprise work that is outside the required scope of a statutory audit but is consistent with the role of the statutory External Auditor. This category includes work that is reasonably related to the performance of an audit or review and is a logical extension of the audit or review scope, is of an assurance or compliance nature and is work that the External Auditors must or are best placed to undertake.

- Audits of reports containing financial or non-financial information prepared to meet Group governance objectives.
- The audit of selected financial information of Group entities in support of disposal and borrowing transactions.
- Consultations on the accounting treatment or disclosure requirements of transactions or events including discussions, research consultations and auditing procedures relating to unusual or nonrecurring transactions, including assistance in responding to regulatory comment letters on the Group’s financial reports.
- Consultations on the accounting treatment or disclosure requirements emanating from new or proposed rules, standards, or interpretations by regulatory or standard setting bodies.
- Assistance with financial due diligence investigations pertaining to potential business acquisitions/dispositions and other major transactions and events (excluding valuation services, appraisals or fairness opinions) including the review of financial statements and other financial data and records and discussions with counterparty finance and accounting personnel.
- Translation of audited financial reports into another language for filing with a national regulator, or to satisfy other financial reporting requirements of a University entity.

  The provision of assurance opinions or confirmations to third parties, with the knowledge of management, based on the financial audits of the financial statements.

1.3.7 Pre-approved Other Services

Pre-approved other services are work of an advisory nature that does not compromise the independence of the External Auditor. Items of such work are typically confined to risk management, funding, or investigative advisory services. The following are the pre-approved other services:

- Review of operational effectiveness of Treasury operations relating to cheque clearing and float management practices and recommendations regarding potential areas of improvement.
- Conducting internal investigations and fact finding in connection with alleged improprieties, other than where they relate to potential accounting irregularities.
- Review of actuarial reports and calculations to assist the Group in understanding the various processes surrounding actuarial valuations and the potential impact of plan changes or changes in accounting standards.
- Review of compliance by Group companies with local statutory regulations concerning incorporation of entities, constituent documentation (such as constitutions and articles of association) and lodgement of statutory filings with regulatory bodies.
- Assistance in the registration of pension plans as and when required by country specific regulations.
- Risk management advisory services in the assessment and testing of security infrastructure controls.
- Financial and legal due diligence services.

2 Legal and Regulatory Context

2.1.1 Public Interest Entity

While the University is not a (Public Interest Entity) PIE, to ensure best practice the Governing Authority, in 2018, opted to voluntarily adopt the provisions of the legislation relating to the provision of Non-Audit Services by the External Auditor.

European Union (EU) audit legislation entered into force through Regulation (EU) No 537/2014 refers to the specific requirements regarding statutory audit of public-interest entities.

2.2 Other Context

2.2.1 External Auditor Appointment

The Comptroller and Auditor General (C&AG) is the auditor of the University and reports thereon, under the Universities Act 1997, to the Houses of the Oireachtas. The Governing Authority appointed External Auditor reports to the Governing Authority through its Audit and Risk Committee. In his audit report the C&AG states that in conducting his audit he seeks to rely on evidence from an audit of the financial statements by the External Auditors appointed by the University Governing Authority.

The C&AG is not considered to be the External Auditor for the purposes of this Policy. The C&AG does not provide any non-audit services to the University.

The opinion of the External Auditor on the Financial Statements is received a number of months prior to the opinion of the C&AG. This External Auditor opinion is relied upon by external stakeholders during the period between receipt of the External Auditor's opinion and the receipt of the C&AG's opinion.

3. Policy Statements

3.1 Principles for the provision of Non-Audit Services by the External Auditor

3.1.1 Procurement

All engagements under this policy must comply with Public Procurement guidelines and regulations.

3.1.2 Independence of the External Auditor

The objective of this policy is to ensure that the External Auditor remains Independent to report on the annual report and consolidated financial statements of the University and its subsidiaries.

4. Related Procedures for the provision of non-Audit services by the External Auditor

4.1 Approval process

The University Audit and Risk Committee has mandated an approval process for engaging the External Auditor. The Audit and Risk Committee has defined the services that may not be provided by the External Auditor; refer to the section 1.3.5 which sets out details of Prohibited Non-Audit Services. No approval can be given under any authority for the provision of prohibited services.

The Audit and Risk Committee has identified specific types of services that are pre-approved

- Pre-Approved Audit Related and Other Assurance Services as set out in section 1.3.6
- Pre-Approved Other Services as set out in section 1.3.7

Whether or not pre-approved by the Audit and Risk Committee, all engagements of the External Auditor for the provision of non-audit services are subject to the following approval requirements.

4.1.1 Approval requirements

- Approval must be obtained before the engagement of the External Auditor for Non-Audit Services.
- The External Auditor must provide a written statement of independence for all engagements, approved by the appropriate authority within the audit firm (typically the principal engagement partner).
- All engagements requiring approval by the Chief Financial and Performance Office (CF&PO) or the Audit and Risk Committee must be described in a written recommendation setting out the:
    - Nature and scope of the proposed services.
    - Procurement process.
    - Relationship of individuals within the firm to perform the proposed other services with those within the firm undertaking audit work.
    - Fee estimate, identifying the total cost expected for the current financial year.
    - Category of pre-approved service where relevant.
- Where Audit and Risk Committee approval is required, it must be communicated to the Corporate Secretary. Approval may be sought between meetings of the Committee and such approval will be noted in the minutes of the next Audit and Risk Committee meeting.

4.1.2 Approval thresholds

The University has established monetary approval thresholds as follows:

Description	Approval required
Hiring staff from the External Auditor	Governing Authority
External Auditors selection and appointment	Audit and Risk Committee
Services not previously preapproved regardless of fee	Audit and Risk Committee
Any engagement > €50,000	Audit and Risk Committee
Pre-approved services between €10,000 and €50,000	Chief Financial & Performance Officer
Pre-approved services <€10,000	Financial Controller Operations

Where the nature or scope of an engagement changes such that the prior approval obtained is insufficient, subsequent approval of the revised engagement must be obtained per above threshold. For example, if a pre-approved service with a fee estimate of €10,000 increases in scope to €50,000, the approval of the Audit and Risk Committee must be obtained.

Approvals should be attached to online purchase requisitions.

4.1.3 Cumulative limit on all pre-approved services

Only the audit committee is permitted to grant pre-approval for specific types of services. All specific pre-approved services are set out in sections 1.3.6 to 1.3.7 of this Policy. Any proposed engagement that is not specifically identified in these sections or which calls on judgement to be exercised as to whether it is included below, must be treated as not pre-approved. All such engagements require specific approval by the audit and risk committee. The total fee in any one year for these services will not exceed 100% of the Audit Fee unless the engagement above this level is approved by the Audit and Risk Committee.

4.2 Reporting

- All non-audit services provided by the External Auditor must be reported every quarter to the Audit and Risk Committee by the Chief Financial and Performance Officer.

- Details of fees paid to the External Auditor must be disclosed in the annual report and consolidated financial statements as specified by applicable financial reporting standards and corporate governance codes.

- The annual report should address the approval framework and explain how auditor objectivity and independence is safeguarded.

5 Related Documents

Public Procurement Guidelines and Regulations

6 Document Control

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