



Non-Audit Fees Policy

Policy for paying consultancy and other fees to the University's external auditor ('non-audit services')

Scope and purpose

This policy sets out the rules for approving contracts for consultancy and other services ('non-audit services') to the University's External Audit Services contractor¹ (the 'external auditor'). This policy applies to all staff of the University of Edinburgh and its subsidiary companies and applies to all expenditure.

Background

The University contracts with the University's external auditor and other audit firms for the provision of non-audit services.

This policy is in place to mitigate any risks threatening, or appearing to threaten, the external auditor's independence and objectivity arising through the provision of non-audit services to the external auditor, namely services that:

- create conflicts of interest between the external audit firm and the University;
- result in the external auditor functioning in the role of management;
- result in a fee which is material relative to the audit fee or to the compensation of the individuals performing the audit;
- place the external auditor in the position of auditing its own work; or
- place the external auditor in the position of being an advocate for the University.

This policy is in line with the recommendations set out in the Financial Reporting Council's (FRC's) Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2016). In line with these recommendations and requirements, an external audit firm is only appointed to perform a service when doing so would be consistent with both the requirements and overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier. In addition, the Ethical Standard requires an assessment of whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised.

The policy is published on the University's Finance website.

¹ The University's external auditor from 1 August 2018 to 31 July 2021 is PwC. There is an option to extend this contract for one year from 1 August 2021 to 31 July 2022 and for year from 1 August 2022 to 31 July 2023.



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Non-audit services

The total fees for non-audit services provided by the external auditor to the University Group will be limited to no more than 100% of the average of the statutory audit fee for the University, its subsidiaries and of the consolidated financial statements paid to the external auditor in the last three consecutive financial years. The first period of calculation is the three years to 31 July 2018. This figure will be rounded up to the nearest £50,000.

Definitions

External audit services performed by the external auditor are the:

- statutory audit of the University Group's consolidated financial statements; and
- statutory audits of the financial statements of subsidiary companies.

Permitted non-audit services. The following audit-related services are considered to be permitted non-audit services:

- reporting required by law or regulation to be performed by the auditor;
- reporting on internal financial controls where required by law or regulation;
- reports on regulatory returns;
- extended audit work performed on financial information and/or financial controls where it is integrated with the statutory audit and performed on the same principal terms and conditions;
- reports on government or other grants;
- services where they are closely related to the work performed in the external audit process and are largely carried out by members of the audit team or, for reasons of effectiveness or efficiency, it is advantageous to use the external auditors because of their knowledge and expertise.

Examples of other permitted non-audit services:

- due diligence related to mergers and acquisitions;
- accounting consultations and audits in connection with acquisitions and disposals of businesses or in relation to proposed transactions;
- investment circular reporting accountant engagements, including comfort letters and consents in relation to documents issued in connection with securities offerings;
- employee benefit plan audits;
- attestation in relation to matters not required by statute or law (for example, controls reports);
- consultations concerning financial accounting and reporting standards not relating to the audit of the group, parent or subsidiary undertakings;
- other reports required by regulators or assurance services relating to regulatory developments;
- sustainability audits;
- IT security audits (where this does not extend to designing and implementing internal control or risk management procedures).



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Approval

The approval of the University's Finance Director must be obtained before the external auditor is engaged to provide any individual requests for non-audit services of up to a value of £100,000. The Finance Director will also review all such requests with the external audit partner. A sub-group of Audit and Risk Committee will be required to approve any individual requests for non-audit services over £100,000. Any approved requests, irrespective of value, will be reported quarterly to Audit and Risk Committee.

For non-audit services, schools and units ('units') must implement procedures to identify where there is a proposal to engage the external auditors and ensure the correct approval process is followed prior entering into any formal engagement with the external auditor. Units should ensure the appropriate justification is provided that the external auditors are the most appropriate supplier.

For non-audit services, the Audit and Risk Committee has approved the use of the external auditor subject to the following limits:

Value of individual non-audit service requested	Approval required prior to engagement of the external auditor
Up to £100,000	Finance Director
Over £100,000	Sub-group of Audit and Risk Committee

Request for approval of non-audit services

All non-audit service approval requests must be submitted to the Finance Director using the approval [form](#), signed by an authorised signatory and full relevant back-up paperwork must be submitted.

Responsibilities

Responsibility for compliance with this policy rests with all staff making a request for a non-audit services approval.

The Finance Department's Directorate Office will process approved requests electronically. The Finance Department will review historic and planned payments to identify which payments must be approved and reported to Audit & Risk Committee.

Equality and diversity

There are no equality and diversity impacts of this policy.

Support

Please contact finance.helpline@ed.ac.uk for further information.

Please contact finance.helpline@ed.ac.uk if you require this policy in an alternative format.



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Useful Links

[Finance Policies and procedures](#)

Approval and review

Date policy approved	22 November 2018
Final approval by	Audit & Risk Committee
Consultations held	n/a
Date of commencement of policy	1 st January 2019
Date for review of policy	1 st January 2020
Policy review by	Senior Financial Accountant
Policies superseded by this policy	n/a

Version control

Version	Amendment made	Approval date	Approved by
1.0	First version	22 11 2018	Audit & Risk Committee
1.1	Updated contact details for Finance helpline	11 01 2019	n/a