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The English version of this Code is the operative version and the Afrikaans version is the translation.

## POLICY IN RESPECT OF NON-AUDIT SERVICES

<b>Statement of policy</b>	
Purpose	To set forth the procedures by which the Audit and Risk Committee intends to fulfil its responsibilities to ensure that the external auditor of Stellenbosch University and its subsidiaries is and remains independent
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<b>Ownership of policy</b>	
Owner of policy	Chief Operating Officer
Protector of policy	Chief Director: Finance
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## **1. INTRODUCTION**

The King Report on Corporate Governance (King) requires audit committees to define a policy for board approval as to the nature, extent and terms under which the external auditor may perform non-audit services.

## **2. APPLICATION OF THE POLICY**

This policy applies to Stellenbosch University and its subsidiaries in respect of other services rendered by the appointed external auditor.

## **3. PURPOSE OF THE POLICY**

The purpose of the policy is to prescribe the nature, extent and terms under which the external auditor may perform non-audit services and which process should be followed in such circumstances.

The policy addresses services which are prohibited and those for which pre-approval by the Audit and Risk Committee (“the Committee”) is required.

## **4. SCOPE AND PRINCIPLES OF THE POLICY**

This policy applies to Stellenbosch University and its subsidiaries in respect of the appointed external auditor (“the Auditor”) and seeks to set out guidance for:

- ❖ determination of instances where it is appropriate for the Auditor(s) to provide non-audit services; and
- ❖ the processes by which non-audit service provision should be governed.

Two different approaches to pre-approving services are followed:

- ❖ proposed services may be pre-approved without consideration of specific case-by-case services by the Committee; and
- ❖ proposed services may require specific pre-approval of the Committee.

The Committee believes that a combination of these two approaches will result in an effective and efficient procedure for pre-approving non-audit services performed by the Auditor and assist in ensuring the independence of the Auditor.

Any proposed services exceeding pre-approved cost levels will also require specific pre-approval by the Committee.

## **5. PROHIBITED NON-AUDIT SERVICES**

The Auditor should not be engaged to perform any service that would:

- ❖ compromise or impair the Auditor's independence;
- ❖ be inconsistent with the Independent Regulatory Board for Auditors' (IRBA) rules on auditor independence;
- ❖ require the Auditor to, in the audit engagement, rely on work performed as part of a non-audit service;
- ❖ require the Auditor to act in a management capacity or as an employee of the University;
- ❖ involve the Auditor in management decision-making; or
- ❖ require the Auditor to negotiate on behalf of the University.

This specifically includes the following:

- ❖ performing any decision making, supervisory or monitoring function or having discretionary authority over the University;
- ❖ services associated with employees or payroll services;
- ❖ internal audit services related to internal financial controls
- ❖ strategic consulting services;
- ❖ bookkeeping or other services related to the accounting records or financial statements of the University;
- ❖ design and implementation of information and communication technology systems where the results of these services should be subject to audit procedures during the audit of the University's financial statements and other reports which are subject to audits or reviews by the Auditor;
- ❖ appraisal or valuation services where the results will be subject to audit procedures during the audit of the University's financial statements and other reports which are subject to audits or reviews by the Auditor; and

- ❖ actuarial calculated valuations that relate to amounts recorded in the financial statements, related accounts or other reports where it is reasonably likely that the results of these services will be subject to audit procedures during the audit of the University's financial statements and other reports which are subject to audits or reviews by the Auditor.

## **6. PERMITTED NON-AUDIT SERVICES (GENERAL PRE-APPROVAL)**

The Committee has identified certain non-audit services which it regards as appropriate for the Auditor to provide for which specific case by case approval is not required. A report detailing such work should be tabled to Committee at least twice a year at the second and third/fourth meetings. The list of Generally Pre-Approved services (below) shall be reviewed and approved annually by the Committee and includes:

- ❖ Audit-related services:
  - services that are incidental to the audit;
  - audit services to related entities;
  - reports required by legislation, funders and other contractual obligations specifically requiring the Auditor to perform these services; and
  - sustainability reporting services.
- ❖ Accounting advice:
  - formal financial accounting and procedure opinions;
  - advice on the interpretation and implementation of new accounting pronouncements;
  - consultation and research related to financial reporting and regulatory matters that affect the University's financial statements and other reporting requirements; and
  - training.
- ❖ Other certification services:
  - factual findings' reports;
  - agreed upon procedure reports; and
  - royalties, warranties or loan covenant agreements.
- ❖ Tax services:
  - review of income tax, VAT, employee tax and other applicable taxes;
  - tax advisory services; and
  - routine tax calculations.

## **7. PERMITTED NON-AUDIT SERVICES (SPECIFIC PRE-APPROVAL)**

For all other services, including but not limited to the examples below, specific pre-approval by the Committee is required:

- ❖ appraisal or valuation services, fairness opinions or contribution-in-kind reports for non-financial reporting purposes;
- ❖ attest services related to internal controls;
- ❖ advising on legal and regulatory requirements;
- ❖ staff secondments on condition that:
  - the staff member concerned is not a member of the audit team;
  - the staff member concerned will not hold an executive management position; and
  - management acknowledges its responsibility for directing and supervising the work to be performed.
- ❖ specific pre-approval by the Chairperson and one additional member of the Audit and Risk Committee is also required if the cost of the non-audit assignment amounts to R500 000 or more.

## **8. MANAGEMENT OF THE POLICY**

### **8.1 RESPONSIBILITIES**

The owner and curator of this policy is the Chief Operating Officer who is responsible for ensuring that the policy exists, is updated, approved and implemented.

### **8.2 MONITORING AND REPORTING**

A report of all non-audit services rendered by die external auditors will be prepared by management and submitted to the Committee at the second and third meetings of the year.

The external auditors will also confirm their policies and processes to ensure their own independence to the Committee on an annual basis and will inform the Committee immediately should they at any stage be at risk of not being independent.