

AUDITOR INDEPENDENCE POLICY

Policy Subject	Auditor Independence Policy
Policy Section	Finance
Policy Number	
Approving Authority	Council
Revision	0
Effective Date	May 24, 2018

REASON FOR POLICY

The purpose of this policy is to establish principles and controls designed to provide reasonable assurance that the auditor maintains an adequate degree of independence to ensure objectivity and integrity.

APPLICABILITY

This policy applies to all ASTTBC employees, Council members, volunteers and other persons acting on behalf of ASTTBC (including those under contract to ASTTBC).

Throughout this Policy, the term “employee” shall apply to any ASTTBC employee, volunteer, person under ASTTBC contract, or Council Director unless otherwise specified.

POLICY STATEMENTS

1. Definitions

“**Auditor**” shall be interpreted as meaning the external auditor and, in relation to the provision of non-audit services, any of its affiliates. The term *affiliates* shall be interpreted by reference to the substance of a relationship with the audit firm but will generally include any entity controlled by the audit firm or under common control, ownership or management.

“**Audit services**” include those services performed to examine and evaluate the financial statements of an organization to ensure that the records are a fair and accurate representation of the transactions they claim to represent.

“**Non-audit services**” are those services other than audit services.

“**Sponsorship services**” are those related to the formulation of an opinion on financial statements prepared by management and include advice on accounting policies.

2. General Principles

2.1. The objectivity and integrity of the auditor is fundamental to the public confidence in

the reliability of the auditor's report and hence the public accountability of ASTTBC.

- 2.2. Where non-audit services are provided by the auditor, the policy is intended to ensure that:
 - i) the non-audit services do not create a material threat to the independence of the auditor; and
 - ii) the non-audit services are subject to an effective approval process.
- 2.3. Taxation services comprise a broad range of services, including compliance, planning, provision of formal taxation opinions and assistance in the resolution of tax disputes. Such assignments are generally not seen to create threats to auditor independence.
- 2.4. Any individual that was employed by the audit firm and participated in the audit of ASTTBC within the last twelve months cannot be hired in the position of Chief Executive Officer or Finance Manager.

3. Appointment of the Auditor

- 3.1. The auditor is appointed by the members at the annual general meeting as required by the Society Act, on the recommendation of the ASTTBC Council (Council) or when Council instructs the Officers or Executive Council to do so on their behalf.
- 3.2. Council reviews and evaluates the independence of the auditor.
- 3.3. Council reviews and recommends the terms of the proposed service agreement or engagement letter between the auditor and ASTTBC.
- 3.4. The service agreement or engagement letter is approved by the Council President and the Secretary Treasurer of Council.

4. Responsibilities of the Auditor

- 4.1. The auditor will maintain a quality control system that provides reasonable assurance that its independence is not impaired.
- 4.2. The auditor will report annually to the Council on all aspects concerning independence, including confirmation of its independence, compliance with this policy and the existence of any affiliates.
- 4.3. The auditor is required to adhere to a rotation policy that is widely accepted and provides a balance between effectiveness, efficiency and independence. The lead partner responsible for the ASTTBC audit is required to rotate after seven years of service and must then take at least seven years off the engagement before resuming the lead audit partner role.
- 4.4. The auditor will not hire and involve any individuals who were previously employed

as senior management of ASTTBC to participate in the audit of ASTTBC within twelve months of the cessation of their employment with ASTTBC.

5. Auditor Independence

- 5.1. Auditor independence is a risk continuum and it is generally recognized that absolute independence is not possible for an auditor because the auditor is required to have a relationship with the client. The significance of economic, financial and other relationships should be evaluated in the light of what a reasonable and informed third party would reasonably conclude as acceptable.
- 5.2. The auditor's independence can be influenced by a number of threats including those set out below:
- i) self-review threats that occur when an auditor provides assurance on their own work;
 - ii) self-interest threats that occur, for example, when an auditor could benefit from a financial interest in a client or when there is an undue dependence on an assurance client;
 - iii) advocacy threats that occur when an auditor promotes a client's position or opinion;
 - iv) familiarity threats which occur when an auditor becomes too sympathetic to a client's interests; and
 - v) intimidation threats which occur when an auditor is deterred from acting objectively by actual or perceived threats from a client.
- 5.3. Judgments about the relative threats to independence may be balanced against the effectiveness of safeguards that mitigate such threats.
- 5.4. Safeguards that may be considered to mitigate threats to independence include:
- i) safeguards created by the accounting profession, legislation and regulation, such as external practice inspection;
 - ii) safeguards within ASTTBC, such as the Council's ability to assign duties to the Executive Committee; and
 - iii) safeguards within the auditor's own systems and procedures, such as quality control procedures or the removal of an individual from a particular engagement.

6. Non-Audit Services

- 6.1. Non-audit services undertaken by the auditor create actual and/or perceived self-review, self-interest or advocacy threats to the independence of the auditor, the

degree of the threat depends on the nature, scale and scope of the non-audit services.

- 6.2. The auditor may only be engaged to provide non-audit services where:
- i) there are good reasons (refer section 6.3);
 - ii) threats to the independence of the auditor as a result of the non-audit services, actual and/or perceived, are either clearly insignificant or are reduced to acceptable levels by the application of appropriate safeguards; and
 - iii) approval has been provided by the President of Council or the Secretary Treasurer, if such authority has been delegated.
- 6.3. Good reasons for the auditor to be appointed to perform non-audit services include where:
- i) it is economic in terms of skill and effort for the auditor to provide such services as a result of intimate and specialized knowledge of the business;
 - ii) the information required is a by-product of the audit process; or
 - iii) it is required by legislation or regulation.
- 6.4. Certain categories of non-audit services are considered to be potentially incompatible with the independence of the auditor and should normally be avoided. Where it is proposed to engage the auditor for these categories of non-audit service, careful evaluation is required. These categories include:
- i) performance of management functions or making management decisions;
 - ii) financial statement preparation services and bookkeeping services;
 - iii) valuation services;
 - iv) actuarial services;
 - v) internal audit services where the services comprise a significant portion of the internal audit activities;
 - vi) designing or implementing a hardware or software system;
 - vii) legal services;
 - viii) recruiting services; and
 - ix) certain corporate finance activities that create an unacceptable advocacy or self-review threat including making investment decisions or having custody of assets such as securities.
- 6.5. The Council are responsible for the approval of non-audit services to be provided by the auditor.
- 6.6. Except for those services outlined in section 6.4, the Council may delegate the authority to approve the provision of non-audit services by the auditor to one or

more designated members of the Audit Committee.

- 6.7. Where authority is delegated in accordance with section 6.6, the decision of any designated individual member or members to approve non-audit services is to be presented to the Executive Committee.
- 6.8. The Executive Committee submits to the Council an annual summary of any non-audit services undertaken by the auditor.
- 6.9. Where non-audit services in the categories defined in section 6.4 are proposed to be provided by the auditor, further detailed guidance should be sought by reference to the standards and guidelines issued by the Chartered Professional Accountants of Canada.