



Office of the City Auditor Policies and Procedures

Number: 2.2.1**Title:** Non-Audit Services

Original Date:**Revision Date:****Approved by:**

04/19/2005

I. Policy

- A. OCA shall consider if the performance of non-audit services creates a personal impairment, in fact or appearance, by applying two overarching principles:
1. Audit organizations should not provide non-audit services that involve performing management functions or making management decisions, and
 2. Audit organizations should not audit their own work or provide non-audit services in situations where the non-audit services are significant or material to the subject matter of audits.
- B. If OCA makes the determination that the non-audit service violates one or both of the overarching principles, then OCA shall decline to perform the work.
- C. OCA shall document:
1. Its consideration of the non-audit service, and
 2. A non-audit service agreement with management.

II. Purpose

To establish independence guidelines for non-audit services that comply with the standards stated in the United States Government Accountability Office's *Government Auditing Standards*.

III. Definitions

- A. **Non-audit services** - Professional services provided by auditors or audit-investigators other than audit services. Non-audit services may or may not be routine activities.

- B. **Routine activities** - Activities provided by OCA that do not trigger the additional independence safeguards in the standards. Examples of routine activities include, but are not limited to, providing technical advisory services or training related to:
1. Establishing internal controls,
 2. Implementing audit recommendations, and
 3. Providing tools and methodologies for conducting best practice, benchmarking, or self-assessment studies.

IV. Procedures

- A. Review the Government Auditing Standards for information on non-audit services.
- B. Before initiating a non-audit engagement, OCA shall determine if the non-audit service is a routine activity.
1. If the non-audit service is a routine activity, then OCA may proceed with the engagement and shall apply appropriate audit standards.
 2. If the non-audit service is not a routine activity, then OCA shall either decline to perform the work or proceed with the engagement by applying the additional safeguards listed in the standards.
- C. Additionally, OCA shall:
1. Preclude staff providing the non-audit service from planning, conducting, or reviewing audit work of subject matter involving the non-audit service for at least two calendar years from the completion of the non-audit service,
 2. Not reduce the scope and extent of future audit work below the level that would be appropriate if an unrelated party performed the non-audit work, and
 3. Document an understanding with management and include this understanding with the engagement letter (see the "Management Agreement" form provided in Attachment A).
- D. Complete the Independence Statement and Management Agreement (Attachment A) for each project assignment and insert in the Administrative Binder of the working papers.
- E. Document the engagement for future reference. OCA shall document all non-audit services performed and make this information available to any peer review. The documentation requirements are provided for in Policy 2.2.2.

V. Responsibilities

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- A. **City Auditor** shall assign the appropriate Assistant City Auditor to evaluate the engagement as it relates to the overarching principles.
 - B. **Assistant City Auditor** shall evaluate the engagement as it relates to the overarching principles.
 - C. **Auditor in Charge** shall complete the Independence Statement and Management Agreement and oversee the documentation of the engagement.

[Project #]

[Project Name]

INDEPENDENCE STATEMENT

For Non-Audit Projects:

I have considered the proposed non-audit services with regard to the overarching principles listed below:

- (1) *Audit organizations should not provide non-audit services that involve performing management functions or making management decisions, and*
- (2) *Audit organizations should not audit their own work or provide non-audit services in situations where the non-audit services are significant or material to the subject matter of audits.*

It is my determination that the performance of this non-audit service:

- Violates the overarching principles.
- Does not violate the overarching principles.

It is my determination that the non-audit service:

- Is a routine activity. Appropriate audit standards will be followed.
- Is not a routine activity.
- I have followed the additional safeguards required by the standards and documented an agreement with management regarding OCA's and management's roles in the non-audit service.

With regard to this non-audit service:

- OCA has declined to perform the work.
- OCA has accepted the engagement.

I have documented OCA's rationale for these determinations in WP # _____.

Auditor-In-Charge: _____ Date: _____

Assistant City Auditor: _____ Date: _____

[Project #]

[Project Name]

MANAGEMENT AGREEMENT

Purpose: To document an understanding with management of OCA’s independence and management’s responsibilities with respect to non-audit services in compliance with Government Auditing Standards. The management of the entity listed in this agreement is responsible for the substantive outcomes of the work performed under this agreement and, therefore, has a responsibility to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service.

Department: _____

Project: _____

Time Frame: _____

Objectives: _____

Scope: _____

Deliverables: _____

OCA staff assigned: _____

Management staff: _____
(Designee responsible for overseeing the non-audit service)

Management will:
Establish and monitor the performance of the non-audit service to ensure that it meets management’s objectives.
Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions.
Evaluate the adequacy of the services performed and any findings that result.

Management Representative: _____ Date: _____

OCA Representative: _____ Date: _____