Auditor Appointment Policy

2026/27

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1. Introduction

1.1 Purpose

The policy is for Stanmore College **(College)** to appoint an independent external auditor with the appropriate skills, knowledge and experience to contribute to the integrity of the College's financial reporting and auditing the College for the purposes of the *Further & Higher Education Act 1992, the Department for Education's Financial Handbook and College Accounts Direction*.

This policy sets out the process for the appointment, reappointment, and removal of external auditors for Stanmore College, in accordance with the requirements of the Department for Education **(DfE)** and the framework and guide for external auditors and reporting accountants of colleges published by the DfE. The aim is to ensure the independence, objectivity, and competence of the external audit function.

1.2 Application of Policy

This policy applies to Stanmore College.

1.3 Scope

This policy applies to the appointment of external auditors for Stanmore College's annual financial statements and any other statutory audits required by funding bodies.

2. Selection of External Auditor

2.1 Framework

The Board is responsible for appointing the external auditor, subject to confirmation by Audit & Assurance Committee at the Stanmore College.

The Audit and Assurance Committee (**Committee**) is responsible for implementing a selection process and making a recommendation to the Board based on their assessment of the responses received from potential external auditors.

2.2 Selection Process

The Committee will review the need for re-tendering the external audit contract at least every five years, or sooner if required by regulatory changes or concerns regarding auditor performance or independence.

A formal tender process will be conducted, inviting proposals from suitably qualified audit firms. The Director of Finance will prepare a draft request for submissions that will be reviewed by the Committee. The Committee may make such changes to the draft, as it considers appropriate.

The final request for submissions must contain sufficient information to enable a potential auditor to provide a proposal and fee estimate to the College. Such information should include information about the College, its operations, its key personnel and any other relevant information about the structure of the College and its financial statements. The Director of Finance will assist the Committee to distribute the request for submissions and to arrange for candidates to meet with the selection panel.

The Committee will establish a selection panel comprising the Committee, the Director of Finance and any other person the Committee considers appropriate to assess the suitability of the external auditor (**Selection Panel**). The Committee will consult with the other members of the Selection Panel as to the preferred auditor; however, it is the responsibility of the Committee to recommend a preferred external auditor to the Board.

2.3 Selection Criteria

The **candidate** selected by the Committee, as the preferred external auditor must satisfy the selection criteria whether or not it is selected by way of a formal tender.

(a) Fees - A candidate must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred external auditor.

(b) Independence - A candidate must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence. The external auditor must be independent from the College and be seen to be independent from the College. The independence of the external auditor is integral to the role of auditor and the Committee will give due consideration to this requirement when selecting a preferred auditor for recommendation to the Board.

The main requirement for auditor independence is to avoid a "conflict of interest situation". This requirement will be contravened where an auditor engages in audit activity that involves a conflict of interest situation, and the auditor was aware of the conflict of interest and did not take all reasonable steps to ensure that it ceased to exist. Where the auditor is unaware of the conflict of interest, the auditor will be prohibited from engaging in audit activity if the auditor would have been aware of the conflict of interest situation if they had in place a quality control system reasonably capable of making them aware of the conflict.

A conflict of interest situation will exist in relation to the College if:

- the auditor is incapable of exercising objective and impartial judgment in relation to the conduct of the audit of the College; or
- a reasonable person, with full knowledge of all relevant facts and circumstances, would conclude that the auditor is incapable of exercising objective and impartial judgment in relation to the conduct of the audit of the College.

The relationships between auditors (including current and former members of the audit firm) and the College must be considered when determining auditor independence. There are specific requirements for individual auditors, audit firms and audit companies in relation to such matters as the identity of the auditor, audit firm or audit College, the maximum hours worked and independence. Furthermore, there are restrictions on employment relationships between retired auditors and their former clients.

(c) Material Matters- A candidate must outline its proposed procedures to address any issue of material significance or matter of disagreement with the College management. The external auditor and the Director of Finance will be required to disclose to the Committee all issues of material significance and all matters of disagreement with the College management, whether resolved or unresolved, and to assist the Committee to review such matters.

(d) Non-audit Work - A candidate must detail its approach to the provision of non-audit related services to the College. The Committee must consider the circumstances in which the College might use the external auditor for non-audit services. Matters to be considered include the potential quantum of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

(e) Other Matters - The selection criteria may include such other matters as the Committee thinks fit.

2.4 Role of Director of Finance

If requested to do so by the Committee, the Director of Finance will assist the Committee in the selection and appointment process.

3. Terms of Engagement

The terms of engagement, including scope, fees, and reporting requirements, will be clearly set out in a letter of engagement.

The Audit Committee will review the terms annually to ensure they remain appropriate.

4. Rotation of External Audit Engagement Partner and Independence

4.1 Audit Partner Rotation

The Committee will ensure that the external auditor has in place arrangements for rotation of the audit engagement partner. The audit engagement partner for the audit must rotate every 5 years (subject to ASIC being given the power to extend the period to 7 years). Audit firms will be responsible for ensuring that the members of their firm do not breach the rotation requirements.

4.2 Annual Independence

Auditors must also provide a written declaration to the board of the College at the time of delivery of their audit report. The declaration must state that the auditor has complied with the auditor independence requirements of the Corporations Act, the Corporations Regulations and any other applicable codes of professional conduct. A copy of this declaration must be included in the annual Audit & Assurance Committee's reports.

5. Review of Audit Arrangements

The Committee will review the external auditor's performance annually. As part of this review the Committee will obtain feedback from the Director of Finance and other members of senior management regarding the quality of the audit service.

6. Removal or Resignation of Auditors

6.1 Removal of Auditors

The College may remove the auditors before the expiry of their term only with the approval of the Corporation Board, following a recommendation from the Audit Committee.

Reasons for removal may include poor performance, loss of independence, or breach of contract.

6.2 Resignation of Auditors

If auditors resign, the Audit & Assurance Committee will investigate the reasons and report to the Corporation Board.

7. Administration

7.1. Where can I obtain further information?

If you require further information or assistance or are uncertain about the application of this policy or the law, please contact the College's Director of Governance.

7.2. Review and publication of this policy

The Board will review this policy from time to time. This policy may be amended by resolution of the Board.

A copy of this policy will be available on Stanmore Colleges' website. Key features will be published in the Financial Statements and other Governance documents.