



## OCEANIA CAPITAL PARTNERS LIMITED

ABN 52 111 554 360

### Auditor Independence Policy

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**Updated June 2007**

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**Updated September 2014**

### **Introduction**

This paper represents Management's policy in respect of managing the independence of our external auditors and ensuring that Oceania Capital Partners Limited ("OCP") is at the forefront of best practice in corporate governance. In particular it addresses the use of our external auditor for services outside the scope of the statutory audit of the financial statements of OCP and its controlled entities.

Management considers that the proposed policy is a practical and appropriate approach to manage the independence of OCP's auditors and to ensure they do not provide services that are in fact, or in appearance, in conflict with their role as auditor.

### **Proposed policy relating to services provided by external auditors**

#### ***Overview***

This policy applies to OCP and its controlled entities.

The purpose of this policy is to define:

- those audit and other services which may be provided by the auditor;
- those prohibited services which may not be provided by the auditor; and
- the approvals required for the use of the auditor.

Services which could be offered by the auditor fall into one of two categories:

1. *Prohibited services*, which if provided to an audit client, would impair an accounting firm's independence; or
2. *Permitted services* which include audit, audit-related and permitted other services.

## ***General Principles***

The general principles described below are based upon concepts of auditor independence defined in CLERP 9 and the Sarbanes-Oxley Act. While OCP is not governed by the requirements of the Sarbanes-Oxley Act, it represents best practice in terms of auditor independence and provides a greater level of prescriptive guidance than CLERP 9.

Both the OCP Board ("Board") and management recognise the importance to OCP and its shareholders of ensuring the independence, quality and integrity of the company's external auditors. In evaluating auditor independence, it is important that the auditor is independent not only in fact, but also in appearance, such that a reasonable third party, having knowledge of all relevant information, could not reasonably conclude that the firm's independence had been compromised.

The external auditors should not provide services which are fundamentally in conflict with their role as independent statutory auditors. Specifically, any firm providing audit services to OCP will need to satisfy the Board that:

- no services will be provided that will result in a conflict of interest;
- no partner, professional member of staff or superannuation fund of the firm holds any shares or options, either directly or indirectly, in OCP or its controlled entities;
- no funds have been received by the firm by way of a loan or other form of capital from OCP or its controlled entities
- any services provided by the firm additional to that of the audit function involving non-audit services traditionally performed by accounting firms, would not have a material bearing on the audit and would not involve the firm auditing themselves;
- the firm has an appropriate audit personnel rotation policy;
- information requested by the Board in relation to auditor independence is not unreasonably withheld by the firm;
- no partner or member of staff or spouse or close relative of an audit partner or member of the audit staff holds a position as a director or executive of OCP or its controlled entities;
- there will be no situations where the auditor assumes the role of management or where the auditor is placed in the role of advocate for OCP.

### ***Prohibited Services***

The external auditors shall not provide services to OCP which are considered to be in conflict with the guiding principles set out above. In particular, the external auditors may not provide the following non-audit services:

- bookkeeping or other services related to the accounting records or financial statements of OCP;
- financial information systems design or implementation;
- appraisal or valuation services when utilised for financial reporting purposes;
- actuarial services (other than the use of actuaries in an audit capacity, including External Peer Review purposes in accordance with APRA's Prudential Standard GPS 310: *Audit and Actuarial Reporting and Valuation*);
- management functions (ie. assuming the role of management) or human resources (ie. involvement in the recruitment process);
- investment adviser or investment banking services;
- appearing for OCP or its controlled entities in material judicial proceedings; and
- secondments of staff – any proposed secondments that are exceptions to this policy require the formal approval of the AFRC before they are entered into.

### **Permitted Services**

#### ***Audit services***

Audit services are services which provide assurance on the fair presentation of financial statements and encompass the following specific services:

- issuing a statutory audit opinion on the financial statements of OCP and controlled entities;
- issuing a statutory audit opinion on the financial statements of subsidiaries (if any);  
and

- issuing a review opinion on the interim financial statements of OCP and controlled entities.

### ***Audit related services***

- due diligence (but not including valuations and legal services) on proposed transactions;
- accounting advice;
- compliance plan audits and audit opinions;
- regulatory-related reports and services concerning the requirements of, and filings with regulators;
- opinions/audit reports on information provided by OCP upon request from a third party (eg. prospectus, comfort letter); and
- review of processes and internal control environment.

### **Permitted Other Services**

Permitted other services are any engagements that are not a prohibited service, an audit service or an audit-related service. The auditors' independence in respect of each permitted other engagement will be considered on a case by case basis.

Permitted other services include tax services which do not give rise to material judgements in relation to the tax provision included in the statutory financial statements and which are compatible with the general principles of auditor independence set out in this document.

### **Approval Process**

The Board will evaluate the external auditors' budget for all audit and audit-related services on an annual basis in conjunction with the approval of the external auditors' Audit Plan. This budget will include all known and recurring audit and audit-related services.

The AFRC is required to approve the appointment of the external audit firm to perform permitted other services. This approval is required prior to the commencement of the engagement.

If, in the view of the AFRC, the level of fees for permitted other services being paid to the external auditor are of a magnitude that could impair, or be perceived to impair, auditor independence, the AFRC may, from time to time impose a restriction on these permitted other services being awarded to the external auditor. The AFRC will need to be satisfied that any permitted other services assignment, the result of which will be that total fees for permitted other services in a financial year exceed \$200,000, or which is entered into after this threshold has already been exceeded, will not breach auditor independence.

### **Reporting to the Board**

The Board will be provided with a report of the actual fees for audit, audit-related and permitted other services at each Committee meeting.

The Board will also be provided with a report on all assignments undertaken by the external audit firm.

### **Responsibility to the Board**

The external audit firm will maintain a quality control system that provides assurance that its independence will not be impaired. It will report semi-annually, at each reporting date, to the Board on all aspects concerning independence, including a written declaration that there have been no contraventions of the auditor independence requirements of CLERP 9.

In accordance with CLERP 9 the Directors will include a copy of the Auditors' Independence Declaration in the half year and full year Directors' Reports.