

Conflict of Interest and Professional Independence Policy

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1. Policy statement

Managing conflicts of interest and threats to professional independence are central components of the Audit Office of New South Wales's (the Audit Office) ethical framework and fundamental to our independence and objectivity. Staff¹ must avoid or declare any conflicts of interest or threats to professional independence as soon as they become aware of any and must reduce risks to independence to acceptable levels through appropriate safeguards.

2. Policy objective

The objective of this policy is to ensure our independence, integrity, credibility and the trust our stakeholders have in us is not compromised or called into question. This policy provides guidance to staff how to identify, disclose, and manage conflicts of interest and threats to professional independence.

3. Risk appetite statement

The Audit Office is committed to maintaining the highest standards of integrity, transparency, and accountability. We recognise that conflicts of interest and threats to professional independence can arise. What is important is managing conflicts and threats by adopting adequate safeguards.

Our risk appetite for not adequately managing conflicts of interest and threats to professional independence is low. Staff are required to proactively identify, disclose, and manage conflicts and threats to their independence to ensure that decision making, independence, objectivity, credibility and trust are not undermined.

We have zero tolerance for concealed, deliberately understated conflicts of interest and threats to professional independence, or complete disregard to managing known conflicts and threats.

4. Policy principles

In managing conflicts of interest and threats to professional independence the following principles must be applied:

Independence

There are several aspects to the principle of independence.

- **Independence of the Audit Office as a whole**
As an oversight and integrity agency, it is vital that both the Audit Office as a whole and its staff are, and perceived to be, independent.
- **Professional independence of individual audit engagement team members**
Audit engagement team members, Audit Service Providers (ASPs) and others who may influence the outcome of engagements² must be aware of their professional independence obligations and the obligations in this policy and the Conflict of Interest and Professional Independence Procedure (the COI&PI Procedure).
- **Objectivity of mind**
The Audit Office and its staff must be free of any interest that is incompatible with objectivity. Decision making, performing activities, expressing conclusions, exercising professional or operational judgement or professional scepticism must not be compromised by bias, conflicts of interest or undue influence. This includes in performing audit engagements, procurement, recruitment or other selection activities.

¹ Refer to [section 18](#) of this policy for definition of staff.

² Refer to [section 18](#) of this policy for definition of audit engagement team.

- **Independence in appearance**
The Audit Office and its staff must not only be independent but also be seen to be independent so that a reasonable person would not conclude that integrity, objectivity or professional judgement or scepticism had been compromised (refer to [section 7](#) for the reasonable person test). Managing perceived conflicts of interest or threats to professional independence is just as important as managing actual conflicts or threats.
- **Conflict between personal interest and public duty or Audit Office duties**
Personal interests can make it difficult for staff to perform their duties impartially in the public interest where there is a conflict between the two and hence should be avoided or managed. Refer to [section 7](#) for further information.

Integrity

Staff must act with the highest degree of integrity and consider public perception when considering appropriate management of conflicts of interest and threats to professional independence. Staff must uphold ethical behaviour and adhere to and act in line with the expected standards of behaviour as outlined in the Audit Office ethical framework and values.

Accountability

Staff are accountable for compliance with this policy, namely for appropriately identifying, disclosing and managing conflicts of interest and threats to professional independence. Staff members with direct reports are accountable for modelling good practice and promoting awareness of the policy and the related procedures or processes.

Transparency

Declaring conflicts of interest and threats to professional independence in line with this policy ensures transparency. Declared conflicts and threats are recorded in the central conflict of interest and professional independence register in MiIntegrity.

Risk-based approach

The Audit Office, through its policies, procedures and processes, will ensure conflicts of interest and threats to professional independence are appropriately assessed and managed. Staff members must consider risks associated with situations that could give rise to conflicts or threats including reputational, and fraud and corruption risks. Individuals with direct reports will ensure they are aware of the risks inherent in their team's work and functions and monitor the risks to which their direct reports are exposed.

5. Scope

This policy applies as follows:

- **Part One** – applies to all staff who are required to manage conflicts of interest to support the independence of the Audit Office as a public sector agency.
- **Part Two** – applies to audit engagement team members who are required to maintain professional independence. The internal conflict of interest and professional independence declaration (COI&PI declaration) and COI&PI annual attestation are only required to be completed by audit engagement team members employed by the Audit Office, not ASPs. Refer to [sections 10 - 12](#) of this policy.
- **Part Three** – covers general provisions that apply to all staff.

This policy should be read in conjunction with the COI&PI Procedure, the Audit Office's [Code of Conduct](#) and other related policies and procedures including any applicable laws and professional standards.

Part 1 – CONFLICTS OF INTEREST AND THE INDEPENDENCE OF THE AUDIT OFFICE

6. The independence of the Audit Office

Conflicts of interest compromise the independence of the Audit Office and arise where personal interests make it difficult for staff to perform their duties impartially in the public interest. Refer to [section 7](#) below for the definition of a conflict of interest.

Staff must take reasonable steps to avoid or manage potential, perceived or actual conflicts of interest. This is done by:

- identifying and evaluating the circumstances or relationships that may create a conflict of interest, so that it may be avoided or managed
- declaring any conflict of interest found to exist
- managing and acting to address any conflict of interest.

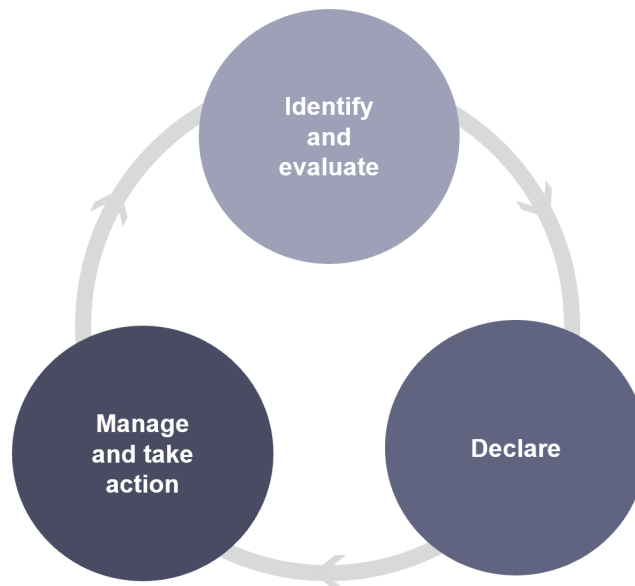


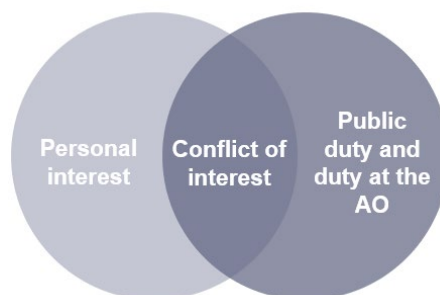
Figure 1

7. Identifying and evaluating conflicts of interest

7.1 Conflict of interest and reasonable person test

The Audit Office and its staff have an obligation to identify and evaluate circumstances and relationships that may create a conflict of interest and take reasonable steps to avoid or manage them. Both qualitative as well as quantitative factors must be considered.

A conflict of interest can be real or perceived. A real conflict involves a direct conflict between a staff member's personal interests and their public duties and duties at the Audit Office. A perceived conflict exists when a reasonable person might perceive that a staff member's personal interest(s) could be favoured over their public duties and duties at the Audit Office, whether or not this is in fact the case.



Personal interest refers to the interest(s) that arise from a staff member's individual interests, including private or non-work life interests, that can bring financial or other material benefits or result in disadvantages to the public interest or to other people. Staff member's personal interests can include the interests of their close connections, including immediate or close family, business associates or partners.

Audit Office duties include roles and responsibilities as part of staff members' employment at the Audit Office, including complying with policies and procedures.

Public duty is a broad concept that extends beyond the employee's Audit Office duties. It means a power, authority, duty or function that is conferred on a staff member as the holder of public office. It involves acting in the public interest in an ethical manner.

A conflict of interest arises when there is an overlap or connection between a staff member's Audit Office duties or public duties and their personal interests.

An objective test is used in determining whether there is a conflict of interest. The perspective used is that of a hypothetical, fair-minded and informed observer – the **reasonable person**. If the reasonable person might perceive that the personal interest could influence the outcome, then there is a conflict of interest that needs to be disclosed.

7.2 Situations that may create a conflict of interest

A conflict of interest can arise from several situations. When determining whether a conflict of interest arises, staff should consider the following situations, noting this is not an exhaustive list:

- **financial interests** - where there is the potential to gain financially, whether directly or indirectly.
- **non-financial interests** - where there is the potential to gain from a decision or action, or to be biased, for example, personal beliefs or involvement towards a cause.
- **personal relationships or associations** - they can involve the interests of the staff member's immediate or close family members, close friends, foes, business partners or associates where these interests are known by the staff member. They include any tendency toward favour or prejudice resulting from friendship, animosity, or other personal involvement with another person or group. In assessing whether a personal relationship has created a conflict of interest consider:
 - the position, responsibility or delegated authority the individual related to or associated with the staff member holds in the auditee or other organisation involved
 - the position, responsibility or delegated authority of the staff member involved including the ability of the staff member to exert direct or significant influence over the audit or internal business decision
 - the true nature of the relationship by considering such things as the duration or intensity of the relationship, frequency of interpersonal communication, social connections or mutual interests, or the exchange of gifts, money or favours.

Note: Simply being acquainted with someone does not necessarily amount to having a personal relationship that could give rise to a conflict of interest. For example, a professional or former colleague, being members of the same club or association (such

as a recreational club, religious institution, union, etc), connected through social media or a distant relative, are unlikely to be personal relationships that could give rise to a conflict of interest, in the absence of any other relevant evidence.

- **political activities** - including political expression, association or activity.
- **secondary employment including voluntary work** - staff are not prohibited from engaging in employment or voluntary work outside the Audit Office, but they must ensure any outside employment or voluntary work will not conflict with their employment at the Audit Office or adversely affect the Audit Office or their ability to perform their responsibilities at the Audit Office. Secondary employment including voluntary work as defined in this policy, must be approved by the Director, Governance and Risk.
- **previous employment** - depending on associated responsibilities or time lapsed, for example, if staff member was involved in work in previous employment that is subject to an audit staff member is now part of.
- **secondments** - including staff secondments to government agencies, ASPs or other external organisations which the Audit Office may have an affiliation with.
- **inducement or intimidation** -
 - **inducement**³ can range from minor acts of hospitality between business colleagues to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example gifts, hospitality and entertainment; political or charitable donations; appeals to friendship and loyalty; employment or other opportunities; preferential treatment, rights or privilege. Such influence can be directed either to the staff member or through someone the staff member has a personal relationship with. It can create a sense of obligation that may compromise impartial and honest decision making and may be perceived as a bribe. Such inducements are not to be accepted.
Refer to the Audit Office's [Gifts, Benefits and Hospitality Policy](#) for further guidance.
 - **intimidation** occurs when a staff member may be deterred from acting objectively because of pressure or threats being made. If a staff member feels intimidated, they must promptly report it to their manager for follow up action to resolve.
- **entities audited, including non-public sector entities subject of a follow the dollar audit** - staff **must** consider all entities audited by the Audit Office when making their COI&PI declaration, by referring to the central list of auditees, which includes the non-public sector entities subject to follow the dollar audits.

All the particulars of a circumstance need to be assessed on a case-by-case basis and whether a reasonable person would consider a conflict to exist.

If staff are unsure if a conflict of interest or threat to professional independence exists, it is prudent to err on the side of caution and in the first instance they should consult with their manager, their director, or the Director, Governance and Risk. If the concerns are not resolved internally, relevant professional bodies or legal advisors may be consulted.

Refer to section 1.1 of the COI&PI Procedure for details of the process for managing applications for secondary employment and to section 1.2 for managing secondments.

8. When to declare conflicts of interest

8.1 COI&PI attestations – when starting employment and annually

A COI&PI attestation requires staff to formally attest that they understand their responsibilities and comply with the requirements of this policy. It acts as a reminder to staff to check for, identify and declare any conflicts of interest or threats to professional independence, and for any secondary employment. This attestation is separate to a COI&PI declaration – a form to declare a conflict of interest or threat to professional independence, if one exists. See section 8.2 below.

³ Refer to [section 18](#) of this policy for definition of inducements.

A COI&PI attestation is completed when starting employment with the Audit Office and then as part of the annual attestation process for all staff.

8.2 COI&PI declarations – as soon as you become aware

A COI&PI declaration is only completed where a conflict of interest or threat to professional independence exists and is separate to the COI&PI attestation, outlined in section 8.1 above. Details of the conflict of interest or threat to professional independence are provided in the declaration, such as the manager you discussed the conflict or threat with and the agreed approach of how it will be managed. Refer to [Appendix 1](#) for approval of actions to be taken to manage a declared conflict or threat.

COI&PI declarations must be completed as soon as you become aware of any conflict of interest or threat to professional independence. This may have been triggered when completing the COI&PI attestation or when there has been a change in circumstances.

Refer to section 2 of the COI&PI Procedure for further details.

8.3 Change in circumstances

If circumstances change that create a new or changes to an existing conflict of interest or threat to professional independence, staff must declare the conflict or threat as soon as they become aware of the change. Staff must not wait for the annual attestation process.

Refer to section 2 of the COI&PI Procedure for details on how to report a change in circumstances.

8.4 Activity specific declarations

Conflicts of interest and threats to professional independence are particularly relevant:

- in high-risk function areas (including recruitment and procurement)
- where staff have a decision-making role
- where staff can directly influence a decision
- where there is a statutory or other obligation to declare, for example the Chief Audit Executive.

When assigning staff to such activities and during the assignment, staff must evaluate the circumstances or relationships that may identify a conflict of interest or threat to professional independence. Where a conflict of interest or threat to professional independence is found to exist, it must be declared, and suitable action taken to reduce or eliminate it.

Staff must discuss with their manager and obtain approval from the Deputy Auditor-General or delegated authority (refer to [Appendix 1](#) of this policy), if they are requested by an auditee to participate in a recruitment process for the auditee.

Staff on tender evaluation committees and those on recruitment selection panels must also declare any conflict of interest in relation to those specific activities and document the conflict and any mitigating actions in relevant areas in the record management system.

8.5 Committee declarations

All committee members are expected to exercise objectivity on all matters.

Members of the Office Executive, Audit and Risk Committee and Remuneration Committee must declare conflicts of interest at the beginning of each meeting. These are captured within their respective registers.

Members of other Audit Office committees (such as Finance and Performance Committee, Strategic Technology Committee, Work, Health and Safety Committee, etc), must consider conflicts of interest in relation to any meeting agenda items and declare at the beginning of each meeting where one exists, or before discussion of the relevant agenda item. Simply representing your branch or business area in one of these committees, does not necessarily create a conflict to be declared. Details of

relevant conflicts must be minuted, and the conflict managed or resolved. Where appropriate, this may include being excused from deliberations for a particular agenda item/s where a conflict exists. In appointing committee members, any conflicts must be considered prior and during the appointment.

8.6 Conflict of Interest and Professional Independence Register

The Conflict of Interest and Professional Independence Register (the Register) is a central register that records information from the COI&PI declarations as provided by staff. The Register includes a list of all declared conflicts of interest and threats to professional independence.

The conflicts and threats declared must be taken into consideration when allocating staff to audit engagements or other business activities.

8.7 Related parties' disclosures⁴

The Audit Office is required to comply with [AASB 124 Related Party Disclosures](#) and [Treasury Circular TPG23-16 Related Party Disclosures](#) which require the Audit Office to collect, report and disclose related party transactions in respect of key management personnel (KMP). The Office Executive are the KMP of the Audit Office. They have the authority and responsibility for planning, directing and controlling the activities of the Audit Office. Finance and Performance Branch collect annual declarations from KMPs.

9. Managing conflicts of interest

It is important that conflicts of interest are managed or resolved on a timely basis. Staff and their managers are jointly responsible for taking reasonable steps to resolve the conflicts.

For details of how a conflict may be managed refer to section 3 of the COI&PI Procedure.

Refer to [Appendix 1](#) of this policy for approvals.

Part 2 – PROFESSIONAL INDEPENDENCE OF AUDIT ENGAGEMENT TEAM MEMBERS

10. Professional independence

The Audit Office performs audit, assurance and assurance-related engagements. These are performed in accordance with relevant laws, regulations, professional standards and public-sector frameworks including [APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#), June 2023 (APES 110), ASQM 1, ASQM 2, ASA 102, ASA 220, ASAE 3000, ASAE 3500 and other relevant standards or laws e.g. the *Corporations Act 2001*.

This section contains guidance on the standards of ethical and professional behaviour expected of audit engagement team members.

Professionally qualified audit engagement team members are personally bound to uphold professional standards and ethical pronouncements by virtue of their membership of accounting professional bodies.

Staff members who are not professionally qualified and who are part of an audit engagement team, must also behave ethically and comply with the Audit Office's Code of Conduct and associated ethical behaviour policies.

In addition to the obligation to maintain the independence of the Audit Office covered in [Part 1](#) of this policy, audit engagement team members have an obligation to be professionally independent, which includes being independent of mind and independent in appearance.

⁴ This section only applies to the Office Executive.

Audit engagement team members must act in the public interest and observe and comply with the fundamental principles of the code of ethics, which are:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviour.

The three stages in avoiding and managing conflicts of interest as set out in [Figure 1](#) on page 3 of this policy (identifying and evaluating, declaring, managing and taking action) also apply to threats to professional independence.

11. Identifying and evaluating threats to professional independence

The same principles that apply to identifying and evaluating conflicts of interest in [section 7](#) of this policy also apply to identifying and evaluating threats to professional independence.

Circumstances and relationships which present threats to independence are described in APES 110 and include:

- financial interests
- loans and guarantees
- business relationships
- family and personal relationships
- recent service with an audit/assurance client
- serving as director or officer of an audit/assurance client
- employment with an audit/assurance client
- secondments
- long association with an audit/assurance client
- non-assurance services to an audit/assurance client
- dependence on fees, negotiation of fees and presence of overdue fees
- gifts, benefits and hospitality
- actual or threatened litigation.

Examples of threats to independence in the context of an audit or assurance engagement are provided in the [Independence Guide](#) (May 2020), a joint publication of Chartered Accountants, Australia and New Zealand, CPA Australia, the Institute of Public Accountants and the Accounting Professional & Ethical Standards Board.

When assessing if there is a threat to professional independence, audit engagement team members must consider:

- all auditees of the Audit Office and not just their current auditees
- non-public sector entities subject of a follow the dollar audit.

If a member of the audit engagement team identifies multiple threats, which individually might not be significant, they need to aggregate and evaluate the collective significance of those threats and apply any safeguards collectively.

12. Declaring threats to professional independence

12.1 Audit engagement team members employed by the Audit Office

All audit engagement team members employed by the Audit Office are required to declare whether there are circumstances and relationships that create threats to professional independence so appropriate safeguards can be applied or other action taken as soon as they become aware.

For Financial Audit and Performance Audit staff where the conflict or threat is in relation to an entity they are currently auditing they must complete a Threats, Safeguards and Contravention of Independence form available on Alfie, and attach an approved form within the COI&PI declaration in MilIntegrity.

Further, in accordance with APES 110, there is a requirement for the audit engagement team member to notify the Audit Office when entering into employment negotiations with an auditee. In the first instance this notification should be made to the manager. If audit engagement team members have concerns about making the notification to their manager, they can discuss the matter with the Director, Governance and Risk.

The method for declaring a threat to professional independence is set out in section 6 of the COI&PI Procedure.

12.2 Audit engagement team members NOT employed by the Audit Office

Members of the audit engagement team who are not employed by the Audit Office, such as ASPs, are required to immediately declare any conflicts of interest or threats to professional independence to their nominated Engagement Controller as required by the Agreement to Provide Auditing Services or any other applicable contract.

13. Managing threats to professional independence

The same principles that apply to managing conflicts of interest in section 9 of this policy also apply to managing threats to professional independence.

Further guidance on managing threats to professional independence is contained in section 7 of the COI&PI Procedure.

Refer to Appendix 1 of this policy for approvals.

Part 3 – GENERAL PROVISIONS

14. Monitoring compliance and effectiveness of this policy

Staff who suspect this policy or the COI&PI Procedure are not being complied with or reasonably believe that a conflict of interest or threat to professional independence is not being adequately managed, should raise their concerns with their manager or the Director, Governance and Risk. The Audit Office will not tolerate any reprisal action against staff whose concerns are raised in good faith.

Breaches of this policy may be subject to remedial or disciplinary actions. Refer to the Disciplinary policy for further details.

The Director, Governance and Risk is responsible for monitoring and reporting on the compliance of this policy regularly to the Office Executive and Audit and Risk Committee. This includes reporting on trends, breaches, areas of concern, or other related information as required.

15. Confidentiality and privacy

Reporting conflicts of interest and threats to professional independence may involve disclosing personal and/or sensitive information. The information will be used for the purpose set out in this policy and the COI&PI Procedure. The information will be held confidentially (subject to the provisions relating to access to the Register as set out in section 2.6 of the COI&PI Procedure) and in

accordance with the *Privacy and Personal Information Protection Act 1998* and the Audit Office's Privacy Management Plan.

16. Roles and responsibilities

Deputy Auditor-General - assumes ultimate ownership of this policy. The Deputy Auditor-General either approves or delegates (as per [Appendix 1](#)) approval of all actions to resolve or manage conflicts of interest or threats to professional independence, and any exceptional circumstances that fall outside this policy.

Executive Director, Professional Services - provides an oversight and consultative role for all aspects of this policy and the COI&PI Procedure.

Director, Governance and Risk - with the assistance of the **Governance Manager**:

- provides consultation to managers and other staff on appropriate management of (including any actions to resolve) conflicts of interest and threats to professional independence
- determines applications for secondary employment and volunteering
- raises staff awareness, including working with the Learning and Development team to deliver induction and ongoing training programs
- reviews this policy and the COI&PI Procedure in accordance with the review schedule in section 21 of this policy
- maintains the Conflict of Interest and Professional Independence Register and the Secondary Employment and Volunteering Register
- monitors and reports on the compliance and effectiveness of this policy regularly to the Office Executive and Audit and Risk Committee, including reporting on trends, breaches, areas of concern, or other related information as required.

Managers - all managers must:

- ensure staff complete a COI&PI attestation (when starting employment and annually thereafter) and declare any conflicts of interest and threats to professional independence in a COI&PI declaration as soon as they become aware of any
- manage conflicts of interest and threats to professional independence jointly with staff
- ensure steps are taken to resolve a declared conflict or threat as appropriate.

Staff - all staff must:

- take reasonable steps to avoid conflicts of interest and threats to professional independence
- identify and declare any conflicts of interest and threats to professional independence in a COI&PI declaration as soon as they become aware of any, including completing a Threats, Safeguards and Contravention of Independence form if appropriate
- complete a COI&PI attestation when starting employment and annually thereafter
- cooperate in the management of the conflict or threat
- consider circumstances when re-allocated to a new business team or a business activity.

17. Legislative context

This policy has been developed in line with:

- ICAC's guidance:
 - [Managing Conflicts of Interest in the NSW Public Sector](#), April 2019
 - [Distinguishing between acquaintances and personal relationships](#), June 2024
- Public Service Commission's [Code of Ethics and Conduct for NSW Government Sector Employees](#) (relevant sections pertaining to conflicts of interest)

- [PSCC 2024-03 Declaration of private interests – supplementary information](#), May 2024
- [Auditing and Assurance Standards Board’s Australian auditing and assurance standards:](#)
 - ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements
 - ASQM 2 Engagement Quality Reviews
 - ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements
 - ASA 220 Quality control for an Audit of a Financial Report and Other Historical Financial Information
 - ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information
 - ASAE 3500 Performance Engagements
- [Accounting Professional & Ethical Standards Board’s standards and guidance:](#)
 - APES 110 Code of Ethics for Professional Accountants (including Independence Standards)
- [Independent Commission Against Corruption Act 1988](#)
- [Corporations Act 2001](#)
- [Government Sector Audit Act 1983](#)
- [Government Sector Finance Act 2018](#)
- [Local Government Act 1993](#)

18. Definitions

Audit engagement team consists of audit staff assigned to an engagement, whether professionally qualified or not, including engagement controllers and any ASPs.

The following are generally not considered audit engagement team members, but may influence the outcome of engagements, hence their independence should be considered to ensure that the independence of the Audit Office is not compromised, including:

- staff who provide direct supervisory, management or other oversight of the Engagement Controller connected to the performance of the engagement
- staff who consult with the team on technical or industry specific issues, transactions or events
- experts engaged by the Audit Office (e.g. actuaries, valuers).

Conflict of interest: a conflict of interest can be real or perceived.

- a real conflict of interest - involves a direct conflict between a staff member’s personal interests and their public or Audit Office duties
- a perceived conflict of interest - exists where a reasonable person might perceive that a staff member’s personal interests could be favoured over their public or Audit Office duties, whether or not this is in fact the case.

Contingent worker: refers to staff who are employed through a recruitment agency.

Immediate or close family member includes:

- spouse - married, de facto, civil union partnerships
- children - step, adoptive, dependent, non-dependent, adult children and those not living at home
- parent or sibling
- other close family members who may be influenced by that person in dealing with the entity, e.g. cousin, uncle or aunt, brother or sister in law.

Inducement: is an object, situation or action that is used as a means to influence a staff member's behaviour, but not necessarily with the intent to improperly influence that staff member's behaviour.

Employee: refers to persons employed by the Audit Office under Award or Executive Contract conditions of employment.

Manager: for the purposes of this policy, this is the manager who is in the most appropriate position to manage the conflict of interest or threat to professional independence jointly with the staff and may not necessarily be the direct administrative manager but a functional manager. For example, a project manager or an audit engagement controller.

Professional independence requires audit engagement team members to be:

- independent of mind - so they act with integrity, exercise objectivity and professional scepticism and express conclusions without being affected by influences that compromise professional judgement
- independent in appearance - so that a reasonable and informed third party would not conclude that integrity, objectivity or professional scepticism had been compromised.

Secondary employment: refers to any additional employment or voluntary work that a staff member is engaged in outside of their position in the Audit Office, including consulting or contracting work or participating in a business. The activities will generally be in the nature of employment but must also consider such things as the roles and responsibilities, hours dedicated, reliance placed on the staff member to do an activity and any delegated authority or decision-making ability.

Involvement in activities as a member of a faith organisation, recreational club or a union, personal investment activities (including overseeing self-managed superannuation funds) and hobbies which generate a nominal income, are generally not considered secondary employment.

Staff should consider whether their involvement in such activity creates a conflict of interest. Contact the Director, Governance and Risk for advice on your individual situation if you are unsure.

Staff or staff member: includes all Audit Office employees (that is persons employed by the Audit Office under Award or Executive Contract conditions of employment), and contingent workers.

Threats to professional independence: categories of threats include:

- self-interest threat - the threat that a financial or other interest will inappropriately influence an audit engagement team member's judgement or behaviour;
- self-review threat - the threat that an audit engagement team member will not appropriately evaluate the results of a previous judgement made, or an activity performed by the audit engagement team member, or by another staff member within the Audit Office, on which the audit engagement team member will rely when forming a judgement as part of performing a current activity;
- advocacy threat - the threat that an audit engagement team member will promote an auditee's position to the point that the audit engagement team member's objectivity is compromised;
- familiarity threat - the threat that due to a long or close relationship with an auditee, an audit engagement team member will be too sympathetic to their interests or too accepting of their work; and
- intimidation threat - the threat that an audit engagement team member will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the audit engagement team member.

Voluntary work: refer to the definition of secondary employment.

19. Implementation procedures and related policies

Other core policies related to this policy include the:

- [Code of Conduct](#)
- [Statement of Business Ethics](#)
- [Fraud and Corruption Control Policy](#)
- [Gifts, Benefits and Hospitality Policy](#)
- [Risk Management Framework](#)
- [Privacy Management Plan](#)
- [Disciplinary Policy](#).

20. Contact point

If staff have questions about this policy, they should contact the Director, Governance and Risk, or the Governance unit via governance@audit.nsw.gov.au.

21. Review

A comprehensive review of this policy will be conducted every three years, with check-in reviews in between, to ensure any significant new information, legislative, organisational or other changes are captured.

Appendix 1 – Conflict of interest delegations from the Deputy Auditor-General

Approval	Delegated authority
Approve the management of (including any actions to resolve) potential or perceived conflicts of interest declared ⁵	Staff's Manager* in consultation with Director, Governance and Risk
Approve the management of (including any actions to resolve) actual conflicts of interest or any threats to professional independence declared**	Deputy Auditor-General**
Approve secondary employment and volunteering applications	Director, Governance and Risk
Approve secondments	Deputy Auditor-General
Approve participation in the recruitment process for an auditee	Executive Director, Professional Services
Approval for any exceptional circumstances falling outside of this Policy	Deputy Auditor-General

*The manager's name is to be included in the COI&PI declaration.

**Approvals by the Deputy Auditor-General for threats to independence are done via the Threats, Safeguards and Contravention of Independence Form, which covers the level of approvals required.

⁵Conflicts of interest and threats to professional independence declared by the ASPs are dealt with by the Engagement Controller.

Document information

Title:	Conflict of Interest and Professional Independence Policy
Owner:	Governance
Person responsible:	Executive Director, Professional Services
Approver:	Office Executive
Last updated:	October 2024
Next review date:	October 2027
Document reference:	R012-2041204238-33607

Document history

Version	Date	Reason for amendment
3.4	October 2024	<p>Review and update to reflect the current practices, current Audit Office branch structure, and changes to role titles.</p> <p>Other changes made to align with the Delegations Manual and other public sector guidance and to clarify the definition of conflict of interest and secondary employment.</p> <p>Additions include policy principles and new sections in line with the policy template, e.g. policy objective, risk appetite statement, implementation procedures and related policies, document information and history.</p>