

External Auditor Independence Policy

1. Purpose

POAL is committed to ensuring that its external auditor can carry out its functions independently.

The purpose of this policy is to ensure that external audit independence is maintained at all times both in fact and appearance, such that the external financial reporting is highly reliable and credible.

2. Independence is the key element of Auditor-General's Code of Ethics

The Auditor-General is the auditor of every public entity in New Zealand – this includes POAL.

The [Auditor-General's Code of Ethics](#) (the Code) reflects the ethical standards that the Auditor-General, and those that carry out work on their behalf, need to meet (i.e. POAL's external auditor – Deloitte).

The Code sets higher requirements than underlying international auditor codes – including regarding independence – which comprises of Independence of mind and Independence in appearance.

The perception of independence (independence in appearance) is a vital component, which external auditors must consider when assessing their independence. Such an assessment requires considering how a particular situation would look from the perspective of a reasonable and informed third party with only publicly available information.

The test for assessing independence in appearance means meeting stringent criteria. Any element of doubt about independence will mean failing the reasonable and informed third-party test.

The external auditor is required to assess all facts and circumstances that might cause a reasonable and informed third party, informed only by publicly available information, to conclude whether a firm's or an audit's, a review's, or an assurance team member's integrity, objectivity, or professional scepticism has been compromised.

Any work that external auditor's contract to carry out for public entities that is additional to the work they carry out as the external auditor is limited to "work of an assurance nature". In essence, "work of an assurance nature" is compatible with the work an auditor carries out on behalf of the Auditor-General under statute.

The external auditor shall not use the separation of activities within a firm to reduce the threat to independence in appearance.

On its own, additional assurance work carried out in accordance with the Code does not threaten audit independence. However, where the value of the additional assurance work becomes significant when compared to the amount of the audit fee, applying the reasonable and informed third-party test might lead to a conclusion that the amount of the additional work needs to be limited.

The nature of the additional assurance work and the fees associated with the category of the engagement need to be publicly disclosed.

Any potential new service is to first be discussed with the external auditor to ensure it meets the independence guidelines. POAL will follow direction from the external auditor and Auditor-General.

Policy Owner: Chief Financial Officer

Review frequency: Every three years

Date approved by the Board: 22 May 2024