

HAS Auditor Independence Policy Summary

External auditors' independence and use of the auditor in a non-audit capacity

Introduction

In order to fulfil the Audit Committee's obligations under Iso/IEC 17065 clause 4.2.10, it is recommended that the Management team adopt a formal policy which addresses the independence of the external auditors ("the auditors") in the provision of both audit and non-audit services.

Policy objectives

The primary objective of this policy is to ensure that the auditors are, and are seen to be, independent as identified by Iso/IEC19011, Iso/IEC 17065.

Provision of services

Services available from the auditors are classified into

- audit services
- audit-related services
- non-audit services and
- prohibited services.

Audit services

This comprises work undertaken to provide an audit or review opinion on Halal Production of Perishable animal products (C), Perishable vegetable products (D), Products with long shelf life at room temperature (E), Feed production (F), Chemical and Biochemical manufacturing (L) and Packaging and wrapping material manufacturing (M) Feed production.

In order to ensure an appropriate scope of work, the auditors will present an audit plan annually to the Audit Committee, setting out the proposed audit activity considered necessary to deliver these opinions.

The fees relating to this work will also be presented and agreed by the Management team at the same time. Fees will be assessed on the basis of providing fair value for the services undertaken.

The auditors will be expected to undertake their work effectively and efficiently, using an appropriate balance of junior and senior staff.

Audit-related services

This represents work, generally of an assurance nature, provided by the auditors as a result of their expert knowledge and experience of HAS. It includes reviews required by regulatory bodies, corporate governance reviews, assurance reviews of public documents and the audit of Food, non-Food manufacturing plants and companies.

In respect of these services, HAS executive management has discretion to use the auditors without prior consultation with the Audit Committee. However, the nature of and fees associated with that work must be regularly reported to the Committee and, if there is any concern on the part of executive management as to a potential threat to the auditors' independence, the Operations Director (OD) must be consulted at an early stage.

Non-audit services

The auditors must conscientiously consider, before taking on non-audit work, whether the work involves any threats to auditor independence and the appropriate safeguards to eliminate them or reduce them to clearly insignificant levels.

The fees levels payable for non-audit services, individually and in the aggregate, relative to the audit fee will be a material consideration in assessing any threat to the auditors' actual and perceived independence.

Non-audit services include tax advice, valuations, internal audit and consultancy services, Halal consultancy services, over and above those provided in conjunction with audit and audit-related services.

Management team are required to select the most appropriate supplier of such services, having regard to the expertise and experience offered and fees charged by alternative suppliers.

The auditors and the Company will monitor the total fees charged and chargeable by the auditors in any financial year for non-audit services and collate this information for review by the Management team at each of its meetings.

Prohibited services

The Halal Agency of Serbia (HAS) will not engage the auditors for services where there is an evident threat to independence or where the work is deemed to or should be carried out by other providers. In particular, the auditors should not:

- prepare accounting records and financial statements except where this falls within the normal statutory audit mandate or where the work is carried out for HAS affiliates, subsidiaries and is deemed immaterial;
- offer or provide consultancy (Clause 3.2 Iso/IEC 17025) to HAS clients;
- advise on any business decision or
- be responsible for the design or implementation of changes to the company's infrastructure.

Rotation of audit partners

The auditors are required to adhere to a partner rotation policy in accordance with the requirements of the Iso19011 and 17065, which provides an appropriate balance between consistency and independence.

Appointment of the auditors

The Management team will assess the performance of the auditors annually based on service level criteria determined in conjunction with the auditors in advance. Subject to satisfactory performance and the recommendation of the Audit Committee, the HAS Board will recommend the re-appointment of the auditors at the Annual General Meeting. If the Management team does not recommend the incumbent auditor, a tender process will be carried out by the Management team and executive management to select a new auditor.

Hiring policy

HAS and the auditors agree that full consultation between HAS and Chief Financial Officer should take place before recruiting each staff, either on a permanent or temporary basis, and that such consultation should specifically consider the effect of such recruitment, both individually and cumulatively, on the actual or perceived independence of the auditors and relevant ethical guidance published by professional bodies.

Responsibilities of the auditors

The auditors will maintain a monitoring system that provides reasonable assurance that their independence will not be impaired. The auditors will report annually to the Management team on all aspects concerning independence, including possible conflicts with this policy.

Responsibilities of the Management team

The Management team will determine annually, and report accordingly to the Board, whether it is satisfied that the independence of the auditors has been maintained, taking into account the auditors' statements on independence and the Committee's own enquiries.