

# Standing Guidance for Auditors

December 2023

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# Introduction

1. Article 18 of the Comptroller and Auditor General (Jersey) Law 2014 requires the Comptroller and Auditor General ('the C&AG') to prepare and publish a statement of the manner in which they propose to discharge their functions. In exercise of that power, the C&AG published a revised Code of Audit Practice ('the Code') on 4 December 2023.
2. Paragraph 8 of the Code provides that the C&AG may issue supplementary guidance to auditors of the financial statements of the States of Jersey and to the auditors the C&AG appoints to other entities. Paragraph 9 of the Code requires auditors appointed by the C&AG to have regard to any such guidance.
3. This Guidance is issued under Paragraph 8 of the Code. It comprises:
  - provisions applicable to all auditors appointed by the C&AG
  - provisions applicable to the auditors of the financial statements of the States of Jersey; and
  - provisions applicable to all auditors relating to communication with the C&AG.

# Provisions applicable to all auditors appointed by the C&AG

4. This section of the Guidance covers:
- the application of auditing standards
  - the application of ethical standards
  - non-audit work
  - reporting the results of audit work; and
  - communications from whistleblowers and third parties.

## Application of auditing standards

5. In undertaking audits of the financial statements of entities to which the C&AG appoints auditors, auditors should, in complying with auditing standards issued by the Financial Reporting Council, have regard to the provisions of Exhibit 1.

### Exhibit 1: Provisions applicable to all auditors appointed by the C&AG

Standard	Title	Para(s)	Auditors should
ISA (UK) 210	Agreeing the Terms of Audit Engagements	9 - 12	Include in written engagement terms that the auditor is required to comply with the Code.
ISA (UK) 210	Agreeing the Terms of Audit Engagements	14 - 17	Consult the C&AG prior to agreement of a change in the terms of the engagement.
ISA (UK) 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	44 - 44-1	When they report an identified or suspected fraud to an appropriate authority outside the entity, unless precluded by law or regulation, also report the identified or suspected fraud to the C&AG.
ISA (UK) 250	Section B - The Auditor's Statutory Right and Duty	2 - 6	When they report matters to a regulator, unless precluded by

Standard	Title	Para(s)	Auditors should
	to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector		law or regulation, also report the matters to the C&AG.
ISA (UK) 260	Communication With Those Charged With Governance	3, 19 - 20-1, Appendix 1	<p>Communicate in writing all matters required by standards to be communicated to those charged with governance.</p> <p>Provide copies of such written communications to those charged with governance to the C&amp;AG at the time they are issued.</p>
ISA (UK) 265	Communicating Deficiencies in Internal Control to Those Charged With Governance and Management	9, 10	Provide copies of written communications to those charged with governance and management relating to significant deficiencies in internal control to the C&AG at the time they are issued.
ISA (UK) 300	Planning an Audit of Financial Statements	8	In establishing the overall audit strategy, have regard to any supplementary guidance issued by the C&AG.

## Application of ethical standards

6. The FRC Ethical Standard and the International Code of Ethics for Professional Accountants (published by The International Ethics Standards Board for Accountants) give examples of relationships that are not acceptable. However, these do not explicitly address relationships that may arise in all circumstances.
7. In the context of the entities for which the C&AG appoints auditors, no partner, director or employee of the audit firm should:
  - accept or hold a governance role, whether elected or appointed, with significant influence over the decision making or financial statements of:
    - an entity for whom the firm is, or is proposed to be, the auditor; or
    - the States of Jersey
  - be employed as a senior officer (whether paid or unpaid) at:
    - an entity for whom the firm is, or is proposed to be, the auditor; or
    - the States of Jersey
  - accept or hold a governance role, whether elected or appointed, with:
    - an entity or joint arrangement which is material or significant to an entity for whom the firm is, or is proposed to be, the auditor; or
    - the States of Jersey; or
  - where they are directly involved in the management, supervision or delivery of the audit of an entity, take part in political activity, such as canvassing or standing for office or acting as a spokesperson, on behalf of a political party or special interest group, whose activities relate directly to the functions of an entity audited by the firm.

## Non-audit work

8. Paragraph 123 of the Code provides that Auditors appointed by the C&AG shall:
  - seek the consent of the C&AG prior to the provision of non-audit services to the States of Jersey, a States funded body, a body controlled by the States of Jersey or a body to which the C&AG appoints the auditor; and

- provide such information as the C&AG may require in order to allow them to determine whether to consent to any request to provide non-audit services.
9. Any request to the C&AG for consent to the provision of non-audit work should include:
- the entity to which it is proposed to provide non-audit services
  - details of the proposed services
  - the estimated value of the services
  - the estimated cumulative value of non-audit services provided to the entity; and
  - the auditor's assessment of the threats to independence, including details of any safeguards proposed.

## Reporting the results of audit work

10. Paragraph 69 of the Code states that audit outputs should:
- be clear, succinct, impactful and relevant to their audience
  - be written in plain language, avoiding jargon and technical terms where possible; and
  - draw clear conclusions and, where relevant, make recommendations to support meaningful improvement.
11. Auditors should therefore:
- report on a timely basis, clearly, concisely and objectively without fear or favour
  - use the most appropriate form of reporting available
  - set out to whom the report is addressed, the period to which it relates, its date, its purpose and the relevant duty or power under which the auditor is issuing it
  - where appropriate, reflect the requirement to comply with the Code
  - be open and transparent about the scope and nature of the work carried out, significant risks and judgements such as the application of materiality, key findings, and, where appropriate, the type and level of assurance that the report provides; and

- if making recommendations, be clear about what actions the entity should take and when.
12. Auditors should communicate with those charged with governance on a timely basis. Examples of situations which may lead to some form of interim report include:
- identification of issues that are likely to lead to a modified opinion; and
  - where a significant difficulty has been encountered during the audit and those charged with governance may be able to assist the auditor to overcome the difficulty.

## Communications from whistleblowers and third parties

13. Auditors appointed by the C&AG may receive unsolicited communications from whistleblowers or third parties that may be relevant to their functions or to those of the C&AG. Auditors should have regard to such communications in the conduct of their audit.
14. Except where the consent of the whistleblower or third party is withheld, auditors should provide a copy of such communications to the C&AG.



# Provisions applicable to the auditor of the financial statements of the States of Jersey

15. Paragraph 41 of the Code provides that the auditor of the financial statements of the States of Jersey shall apply the provisions of relevant ethical, quality management and auditing standards applicable to Public Interest Entities with such interpretations and modifications necessary in the context of the audit of the financial statements of the States of Jersey specified by the C&AG in supplementary guidance. Exhibit 2 sets out such interpretations and modifications.

## Exhibit 2: Interpretations and modifications of provisions of relevant ethical, quality management and auditing standards applicable to Public Interest Entities

Standard	Title	Para(s)	Auditors should
FRC Ethical Standard	Revised Ethical Standard 2019	1.58	'Audit committee' should be interpreted as: <ul style="list-style-type: none"> <li>the States of Jersey Risk and Audit Committee</li> <li>the Minister for Treasury and Resources; and</li> <li>the Treasurer of the States.</li> </ul>
FRC Ethical Standard	Revised Ethical Standard 2019	3.19, 4.17, 5.40	'Competent authority' should be interpreted as 'the C&AG'.
FRC Ethical Standard	Revised Ethical Standard 2019	4.15	'Controlled undertakings' should be interpreted to comprise those entities that would be treated as controlled by the States of Jersey were they to apply International Financial Reporting Standards without modification.
FRC Ethical Standard	Revised Ethical Standard 2019	5.40	The audit of the financial statements of the States of Jersey should be treated as if it were a 'statutory audit'.  'Services which have been the subject of an application to the competent authority in accordance

Standard	Title	Para(s)	Auditors should
			with Regulation 79 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177)' should be interpreted as 'Services which have been the subject of an application to the C&AG as if that application is in accordance with Regulation 79 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177)'.
ISA (UK) 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	44-1	Where the States of Jersey do not investigate the matter referred to in paragraph 42-1, the auditor should inform the C&AG.
ISA (UK) 250	Section A - Consideration of Laws and Regulations in an Audit of Financial Statements	29-1	Where the States of Jersey do not investigate the matter referred to in paragraph 23-1, the auditor should inform the C&AG.
ISA (UK) 260	Communication With Those Charged With Governance	11-1, 16-2, 17-1, 20-1. 21-1. 23-1	'Audit committee' should be interpreted as: <ul style="list-style-type: none"> <li>the States of Jersey Risk and Audit Committee</li> <li>the Minister for Treasury and Resources; and</li> <li>the Treasurer of the States.</li> </ul>
ISA (UK) 570	Going Concern	21-1	For the avoidance of doubt, the provisions of sub-paragraph (d) should be applied.
ISA (UK) 700	Forming an Opinion and Reporting on Financial Statements	45-1	'Audit committee' should be interpreted as: <ul style="list-style-type: none"> <li>the States of Jersey Risk and Audit Committee</li> <li>the Minister for Treasury and Resources; and</li> <li>the Treasurer of the States.</li> </ul>

## Communication with the C&AG

16. The C&AG may nominate a Jersey Audit Office affiliate to act as a key contact for audit firms. Where a key contact has been nominated, the following correspondence should also be copied to the C&AG and Deputy C&AG:
  - any requests for approval of non-audit work in accordance with paragraph 123 of the Code
  - any communications and submissions required by this Standing Guidance; and
  - any requests for clarification or guidance.
17. The C&AG will also:
  - if appropriate, issue further supplementary guidance relevant to the conduct of audits; and
  - schedule meetings with all auditors at least annually.



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