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Auditors Conflict of Interest Guideline

HVA scheme

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Purpose

This guideline provides guidance to auditors on identifying, declaring, and managing actual, perceived, and potential Conflicts of Interest in accordance with NHVR requirements.

Auditor independence is essential to preserve audit integrity, public confidence, and the credibility of NHVR accreditation schemes.

Auditor obligations

This guideline provides guidance to auditors on identifying, declaring, and managing actual, perceived, and potential Conflicts of Interest in accordance with NHVR requirements.

Auditor independence is essential to preserve audit integrity, public confidence, and the credibility of NHVR accreditation schemes.

The obligations of auditors are set out in the *Heavy Vehicle National Law* ('HVNL') and the National Audit Standard.

Auditors must:

- Remain independent and impartial at all times.
- Declare any actual, perceived, or potential Conflict of Interest to the NHVR as soon as they become aware of it.
- Withdraw from an engagement if the NHVR determines a conflict cannot be effectively managed.
- Ensure that no financial or personal benefits are received other than audit-related fees.

Failure to disclose Conflicts of Interest may result in disciplinary action, including suspension or cancellation under the scheme.

Whether there is actual, perceived or potential Conflict of Interest or an offence under s. 697 of the HVNL, will depend on the circumstances of the individual matter and will be dealt with in accordance with the National Audit Standard. Matters may be referred to NHVR investigators for further investigation and where appropriate charges under s. 697 of the HVNL.

Auditors should be aware the Conflicts of Interest could be considered for investigation under the relevant public interest disclosure legislation if relevant. See the NHVR Public Interest Disclosures Policy (PDF, 272KB).

What is a Conflict of Interest?

A Conflict of Interest occurs where an auditor's private, business, or financial interests interfere with, or could reasonably be perceived to interfere with, their ability to conduct a fair, transparent, and objective audit.

A conflict may:

- Benefit the auditor, or someone with whom the auditor has a personal, financial, or professional relationship
- Influence professional responsibilities and compromise objectivity,
- Benefit the operator, or
- Provide a mutual benefit to both the auditor and the heavy vehicle operator.

When assessing conflicts, auditors should consider whether a reasonable and informed third party would conclude that independence has been compromised.

A conflict may benefit you, the operator, or both parties. It does not need to be intentional, and it does not need to have caused harm; the obligation to disclose applies regardless.

Types of Conflicts of Interest

Actual Conflict of Interest

An actual conflict exists where the NHVR would conclude that an auditor's ability to conduct an audit with honesty and integrity has been compromised by private or business interests associated with the operator or their business.

Perceived Conflict of Interest

A perceived conflict exists where the NHVR could reasonably consider that an auditor's personal or business interests may interfere with, advantage, or disadvantage their ability to conduct a fair and transparent audit — regardless of whether actual bias exists.

Potential Conflict of Interest

A potential Conflict of Interest in auditing is a situation where an auditor's personal interests, relationships, or, competing professional obligations could possibly influence their ability to act objectively and impartially in the future.

Unlike an actual conflict (where bias already exists) or a perceived conflict (how it looks to others), a potential conflict refers to a future-oriented risk that, if not managed, may develop into an actual conflict.

Examples of Conflicts of Interest

Examples include, but are not limited to:

- When an auditor has acted as a consultant to the operator under accreditation (e.g. designing, implementing, or updating management systems, managing access permits, managing the operator's accreditation).
- Auditing, or proposing to audit, a system developed or influenced by an entity with which the auditor has employment, personal or other interests.
- Maintaining a financial relationship with the operator outside of audit fees.
- Having a direct family, personal, or business relationship with the operator.
- Being employed by, or having a vested interest in, the operator's business.
- Providing preferential treatment based on a prior association.
- Engaging a third party whose involvement creates a perceived or actual Conflict of Interest.

This list is not exhaustive. Where a situation is not specifically identified but may reasonably give rise to concern, it should be disclosed. The NHVR prefers to assess a matter that is found not to constitute a conflict rather than identify a genuine conflict after the event.

What is not a Conflict of Interest

The following do not, on their own, constitute a Conflict of Interest:

- Providing general advice on managing risks within accreditation management systems, where the advice is limited to publicly available information.
- Discussing identified nonconformances with the operator during an audit.

Management of Conflicts of Interest

Auditors must immediately notify the NHVR upon becoming aware of any actual, perceived, or potential Conflict of Interest.

Conflict identified during an audit

If a conflict is identified after an audit has commenced, the auditor must:

- Suspend the audit immediately, and
- Notify the NHVR without delay.

NHVR Assessment

The NHVR will assess the conflict and determine whether:

- The auditor may continue with the audit, or
- The operator must engage another NHVR-approved auditor from an alternative list provided by the NHVR.

Auditors may be required to submit written evidence or supporting information as part of this assessment.

System Independence Rule

If you were involved in developing, updating, or directly influencing an SMS or framework, you must not audit that system until two independent audits by other auditors have been completed on it. Any arrangement designed to create the appearance of independence while preserving an actual or potential conflict will itself be treated as a breach of the standard.

Safeguarding

Safeguards are actions or control measures used to reduce threats to auditor independence and objectivity to an acceptable level. Managing Conflicts of Interest requires a structured approach that begins as soon as a conflict is identified and continues throughout the engagement. You must advise the NHVR of any actual, perceived, or potential conflict and how you propose to manage it. The steps below explain this process.

1. Identify the conflict – Identify conflicts early, including those that are obvious (for example, auditing your spouse's system or system created by the consulting arm of the company you work for) and those that are less apparent or emerge over time. Having sound policies and procedures for identifying and recording conflicts helps reduce blind spots.

2. Evaluate the level of conflict – As soon as a conflict is identified (and before accepting the engagement or continuing work), assess whether it is an actual, perceived, or potential conflict and whether the threat to independence is at an "acceptable level". An acceptable level is where a reasonable and informed third party, having regard to all relevant facts and circumstances known (or reasonably expected to be known) at the time, would likely conclude the conflict can be managed and not influence audit outcomes

An unacceptable level is where that conclusion could not reasonably be reached, including where the conflict cannot be eliminated or reduced to an acceptable level through safeguards.

3. Address (mitigate) the conflict – If the conflict is not at an acceptable level, you must address the threat as soon as possible (and before the engagement is accepted or further work commences) by:

- Eliminate the circumstances (including interests or relationships) creating the threat;
- Apply safeguards where available and capable of being applied, to reduce the threat to an acceptable level such as:
    - Increased evidentiary collection
    - Additional peer review
    - Clear segregation between functions
- Decline or end the specific professional activity (including withdrawing from the audit engagement).

If the conflict is assessed as being at an acceptable level, you must still consider and apply, if appropriate, proportionate safeguards to maintain independence and objectivity.

4. Disclose to the operator and the NHVR (and obtain consent where required) – Where it is appropriate to continue to act, you must disclose in writing the nature of the conflict and the safeguards you propose to rely on to the operator and the NHVR, and obtain any necessary written consents, including the NHVR's written consent before you proceed. Where appropriate, recommend that the operator obtain independent advice.

5. Re-evaluate (ongoing) – Services, interests, and relationships can change over time. Conflicts can arise where none existed initially, or a minor conflict can become more serious. Remain alert to changes that may create new threats or reduce the effectiveness of existing safeguards and re-evaluate the risk throughout the engagement.

6. Documentation – Documenting Conflict of Interest matters is key to demonstrating compliance and responding to any complaint. Records should include (at a minimum):

- The nature and circumstances of the conflict, including the role you are to undertake.
- Your initial assessment of the threat and the basis for concluding whether it is at an acceptable level.
- Any specific measures relied upon in assessing the threat (for example, compliance with your firm/employing organisation's conflicts policies and procedures).
- Any safeguards put in place (for example, separation of engagement teams and controls to prevent disclosure of information between conflicted engagements).
- Any actions taken to eliminate the threat, and any decisions to decline or end the engagement.

In NHVR accreditation schemes, safeguards may include (but are not limited to) prompt disclosure to the NHVR, segregation of duties, independent review, engagement restrictions, or disengagement from the audit.

Consequences of non-compliance

Undisclosed Conflict of Interest: No audit should be undertaken without approval by the NHVR. In this situation the audit report may not be accepted and the operator may then be required to undertake another audit. In addition, auditors may face disciplinary action such as suspension, or cancellation as an NHVR-approved auditor. Disclosure, even after the fact, is always better than silence.

Undisclosed benefit: Any financial or personal benefit beyond standard audit fees must be declared. Failure to do so may result in cancellation of registration.

Section 697 of the *Heavy Vehicle National Law ('HVNL')*: Section 697 of the HVNL provides that a person exercising functions under the HVNL must, when exercising the functions:

- act honestly and with integrity;
- exercise the functions in good faith and with a reasonable degree of care, diligence and skill; and
- not make improper use of the person's position or information obtained in order to gain an advantage for himself or herself or another person, or to cause a detriment to the implementation or operation of the HVNL.

In performing audits of heavy vehicle operators, auditors are exercising functions under the HVNL. Auditors should ensure that in managing Conflict of Interests, they comply with s 697 of the HVNL.

Declaring a conflict, real or perceived, is a sign of professionalism, not a problem. The NHVR supports a pro-disclosure culture: early, transparent disclosure protects you, the operator, and the credibility of the Scheme. If something feels like it might be a conflict, treat it as one and tell us.

Appendix - Case studies

Case Study 1: Consulting firm subcontracting audits

Scenario

A consulting firm provides consulting services to operators and subcontracts approved NHVR auditors to undertake audit's on their clients' behalf.

Risk assessment

This creates a perceived Conflict of Interest. Even where auditors are individually approved, commercial reliance on subcontracting arrangements may create pressure or influence over audit outcomes.

Can the conflict be managed?

Potentially yes.

Management controls may include:

- contracts that protect auditor independence
- no incentives linked to audit outcomes
- documented separation between consulting and audit decisions full disclosure to the NHVR and operator.

Practical outcome

The arrangement may proceed only where independence can be clearly demonstrated.

Case Study 2: Combined Consulting and Auditing Firm

Scenario

A firm employs five approved auditors. Three provide consulting services to operators, while two provide audit services only and have no involvement in consulting work.

Risk assessment

This creates a perceived Conflict of Interest and a potential Conflict of Interest because consulting and auditing activities exist within the same business structure. Shared financial interests and internal influence may affect independence.

Can the conflict be managed?

Potentially yes.

Suitable controls may include:

- clear segregation of consulting and audit functions
- Conflict of Interest policy and register
- separate reporting lines
- no sharing of client-sensitive information
- documented independence declarations.

Practical outcome

The firm must demonstrate that audit activities operate at arm's length from consulting services.

Additional risk consideration

Where audit-only auditors hold an equity interest in the firm or share in firm-wide profits generated by consulting services, a

self-interest threat may arise. A reasonable person may question whether audit judgements could be influenced by the financial performance of consulting activities within the same firm structure.

Additional controls may include:

- separation of profit pools between audit and consulting activities
- restrictions on equity or profit-sharing arrangements for auditors involved in assurance work
- independent review of audit decisions
- independent engagement allocation processes.

Where these safeguards cannot demonstrably reduce the threat to an acceptable level, the audit engagement should not proceed.

Case Study 3: Spouse or domestic partner providing administrative support services

Scenario

An approved auditor and their spouse or domestic partner own a company which provides audit services to operators. The partner provides administrative support services to a number of operators, some of whom are audited by other approved auditors. These services are not exclusive to the auditor's clients.

Risk assessment

This creates a perceived Conflict of Interest because of the personal and financial relationship. However, the services are administrative only and do not involve consulting or influencing audit outcomes.

Can the conflict be managed?

Yes.

Management controls may include:

- disclosure to the NHVR
- ensuring no consulting or advisory services are provided
- no involvement of the partner in audit decisions or attending the audit as the operators representative
- maintaining clear records of independence
- CAA cannot be submitted if they are nominating their partner or another family member.

Practical outcome

The engagement may proceed, subject to disclosure and appropriate controls.

Case Study 4: Spouse and domestic partners providing consulting and auditing services

Scenario

Two people in a domestic relationship, or spouses, each operate separate businesses. Both individuals provide consulting services to operators and both conduct audits as approved auditors. They may audit clients connected to the other party's consulting work or alternate audit and consulting roles across shared or related clients.

Risk assessment

This arrangement creates an actual, perceived, and potential Conflict of Interest. Although the individuals operate through separate entities, there is a perception of shared financial interests and internal influences may affect independence.

Can the conflict be managed?

Potentially yes.

Suitable controls may include:

- operators receiving consultancy services from one spouse cannot be audited by the other spouse until a defined period after consultancy services have been provided
- operators being audited by one spouse cannot utilise the other spouse to support the closure of CARs
- a register of consultancy clients is maintained and cross-checked prior to audit allocation
- documented independence declarations.

Practical outcome

The individuals should not undertake audit engagements where either party has provided consulting services, has a financial interest, or may benefit directly or indirectly from the outcome.

To maintain confidence in the scheme, audit and consulting functions should be separated in a way that removes both actual conflicts and reasonable perceptions of compromised independence.

Case Study 5: Related family members operating separately

Scenario

Family members provide auditing and consultancy services. They may audit clients connected to the other party's consulting work or alternate audit and consulting roles across shared or related clients. Clients may be referred between the businesses, audited after receiving consulting services from another party, or serviced across related entities.

Risk assessment

This arrangement creates an actual, perceived, and potential Conflict of Interest. Although the individuals operate through separate entities, there is a perception of shared financial interests and internal influences may affect independence.

Separate legal entities do not automatically remove conflicts where relationships, referrals, benefits, or coordinated business activity continue to exist.

A reasonable person may question whether any party can remain fully independent when auditing clients connected to another related party's consulting work.

Can the conflict be managed?

Potentially yes.

Suitable controls may include:

- full disclosure to the NHVR
- operators receiving consultancy services from one family member cannot be audited by the family member until a defined period after consultancy services have been provided
- operators being audited by family member cannot utilise the another family member to support the closure of CARs
- a register of consultancy clients is maintained and cross-checked prior to audit allocation
- documented independence declarations to operator noting affiliation.

Practical outcome

Auditors in these circumstances should avoid engagements involving clients connected to family member's consulting activities.

Where independence cannot be clearly demonstrated to an external observer, the engagement should not proceed.

Case Study 6: Auditor also providing training services to an operator

Scenario

An approved auditor also operates as a training provider and delivers informal or nationally recognised training and assessment to an operator. This may include areas such as driver assessment, load restraint, or fatigue management.

While this training is not consulting in a formal systems or accreditation sense, it directly influences the operator's day-to-day practices and operational behaviours. The same auditor later undertakes an audit of that operator.

Risk assessment

This arrangement creates a perceived and potential Conflict of Interest, and in some cases may rise to an actual conflict, depending on the extent of the training provided.

The risks arise because:

- the auditor has contributed to shaping the operator's operational practices
- the auditor may be perceived as auditing the effectiveness of their own training
- there may be a financial incentive to demonstrate that training outcomes are effective
- the operator may rely on the auditor for both capability development and assurance
- the auditor's objectivity may be questioned, even where no actual bias exists.

Even though training is not the same as systems consulting, it still has a direct influence on compliance outcomes that are subject to audit.

A reasonable person may question whether the auditor can remain fully independent when assessing practices they have helped implement or influence.

Can the conflict be managed?

In some cases, yes — but with clear limits.

The conflict may be manageable where:

- the training is general in nature and not tailored to the operator's specific systems or accreditation requirements
- sufficient time has passed between training delivery and the audit
- the auditor has had no involvement in developing or implementing the operator's management systems
- full disclosure is made to the NHVR.

Stronger controls may include:

- separation of training and audit engagements
- prohibition on auditing immediately after delivering training
- clear documentation that training was not advisory in nature
- independent allocation of audit engagements.

Practical outcome

Where training has directly influenced the operator's compliance systems or practices, the auditor should not undertake the audit.

Where independence cannot be clearly demonstrated to an external observer, the engagement should be declined or allocated to another independent auditor.

Key lessons for auditors

When assessing Conflicts of Interest, consider:

1. Actual conflict – a direct competing interest exists.

2. Perceived conflict – a reasonable person may question independence.

3. Potential conflict – circumstances could develop into a future conflict.

If in doubt:

- disclose early
- document controls
- seek guidance
- step away where independence cannot be assured

Strong independence protects auditors, operators, and the credibility of the scheme.

For more information:

Visit:	www.nhvr.gov.au
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