ACCESSING IMPARTIALITY,
RISK & OPPORTUNITY ADDRESSAL

FOR QUALITY MANAGEMENT SYSTEM

(ISO / IEC 17021:2015)

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1. PURPOSE

Impartiality and objectivity are the basic prerequisites for effective and consistent audit service. This procedure illustrates good behavioral practices for the accessing of impartiality and practice to identify the risks and opportunities which directly or indirectly affect the quality management system certification activities

2. SCOPE

Verger Global Private Limited has established, implemented, and maintained this procedure for managing risks and opportunities throughout and is to give confidence to all parties about the accessing method. The main principles for inspiring confidence are independence. This procedure concerns regarding commitment threats and safeguarding to impartiality and assessment of their level.

3. DEFINITIONS

- Risk: A negative effect of uncertainty.
- Opportunity: A positive effective of uncertainty.
- Uncertainty: A deficiency of information related to understanding or knowledge of an event, its consequence, or likelihood. (Not to be confused with measurement uncertainty)
- Risk Assessment: a systematic investigation and analysis of potential risks, combined with the assignment of severities of probabilities and consequences. These are used to rate risks in order to prioritize the mitigation of high risks.
- Risk Mitigation: a plan developed with the intent of addressing all known or possible risks and preventing their occurrence.

4. AUTHORITY AND RESPONSIBILITY

QA Engineer and Audit Manager is responsible for the effective implementation of this procedure.

QA Engineer/Managing Director are responsible for impartial judgment for business in relation with customer.

Audit Manager is responsible for impartial judgment on service request and based on the client requirements and execution of work.

5. PROCEDURE

5.1 GENERAL

- Verger Global Private Limited considers and manages risks and opportunities.
- Risks are managed with a focus on decreasing their likelihood and minimizing their impact if they should occur.
- Opportunities are managed to increase their likelihood, and to maximize their benefits if they should occur.
- Where risks and opportunities overlap, the best appropriate method for managing them shall be ascertained, given the situation at hand.

COMMITMENT TO IMPARTIALITY

The organizational structure and procedures of verger to demonstrate how the primary requirement of impartiality is fulfilled. It is demonstrated, by means of policies, procedures and training how it deals with the pressures and other factors that can compromise or can reasonably be expected to compromise objectivity and which may arise from a wide variety of activities, relationships, and other circumstances as well as from various personal qualities and characteristics of auditors that may be sources of bias. All personnel of the audit body, either internal or external, that could influence the audit activities shall act impartially.

Threats to Impartiality

Threats to impartiality are sources of potential bias that may compromise or may reasonably be expected to compromise the ability to make unbiased observations and conclusions. Because threats may, or may not reasonably be expected to, compromise the ability to make unbiased observations and conclusions, identify and analyze the effects of threats that are sources of potential bias.

Threats are posed by various types of activities, relationships, and other circumstances. In order to understand the nature of those threats and their potential impact on impartiality, identify the types of threats posed by specific activities, relationships or other circumstances. The following list provides examples of the types of threats that my create pressures and other factors that can lead to biased behavior. Although the list is not mutually exclusive or exhaustive, it illustrates the wide variety of types of threat that will consider when analyzing independence and impartiality issues:

- **Self-interest threats:** threats that arise from auditors acting in their own interest. Self-interests include emotional, financial, or other personal interests. Auditors may favor, consciously or subconsciously, those self-interests over their interest in performing an audit. auditors also have a financial self-interest if they own shares in an audit and may have an emotional or financial self-interest if an employment relationship exists.
- **Self-review threats:** threats that arise from reviewing the work done by themselves or by their colleagues. It may be more difficult to evaluate without bias the work of one's own organization than the work of someone else or of some other organization.
- **Familiarity (or trust) threats:** threats that arise from being influenced by a close relationship with a person. Such a threat is present if auditors are not sufficiently skeptical of persons assertions and as a result, too readily accepts their viewpoint because of their familiarity with or trust in the person.
- **Advocacy threats:** e.g., a body or its personnel acting in support of, or in opposition to, a given organization which is at the same time its customer, in the resolution of a dispute or litigation.
- **Competition threats:** Audit Manager and/or the auditor may be concerned about risking the audit contract by the involvement of other potential bodies.

SAFEGUARDS TO IMPARTIALITY

Safeguards mitigate or eliminates threat to impartiality. Safeguards may include prohibitions, restrictions, disclosures, policies, procedures, practices, standards, rules, institutional arrangements, and environmental conditions. These are regularly reviewed to ensure their continuing applicability.

Note: safeguards exist in the environment in which projects are performed or can be mandated by independent decision makers in response to threats posed by various activities, relationships, and other circumstances. One way in which safeguards can be described is by where they reside.

Examples of safeguards that exist in the environment in which projects are performed include:

- Accreditation for assessing organization-wide compliance with professional standards and regulatory requirements regarding impartiality.
- General oversight by governance structures (for example, boards of directors) concerning compliance with impartiality criteria.
- Other aspects of corporate governance, including the culture that supports the audit process and impartiality.
- The legal liability faced by Examples of safeguards that exist within the management system include:
- Maintaining a culture in that stresses the expectation that staff will act in the wider interest and the importance of impartiality.
- Management systems that include policies, procedures, and practices directly related to maintaining impartiality.
- Other policies, procedures, and practices, such as those concerning the rotation of staff, internal auditor, and requirements for internal consultation on technical issues.
- Personnel hiring, training, promotion, retention, and reward policies, procedures, and practices that emphasize the importance of impartiality.
- Safeguards that relate to threats arising in circumstances – for example, prohibitions against certain employment relationships between family members

An alternative way in which safeguards can be described is by the extent to which they restrict activities or relationships that are considered threats to impartiality, such as prohibiting auditors from providing consultancy to the clients.

In assessing the impartiality of its auditor consider:

- The pressures and other factors that might result in, or might reasonably be expected to result in, biased behavior – here described as threat to impartiality.
- The likelihood that pressures and other factors, after considering the effectiveness of controls, will reach a level where they compromise, or may reasonably be expected to compromise, and auditor's ability to maintain an unbiased behavior.

ACCESSING THE LEVEL OF IMPARTIALITY RISK

Assesses the level of impartiality risk by considering the types and significance of threats to auditors' impartiality and the types and effectiveness of safeguards. This basic principle describes a process by which identify and assess the level of impartiality risk that arises from various activities, relationships, or other circumstances.

❖ Note that the level of impartiality risk can be expressed as a point on a continuum that ranges from 'no risk' to 'maximum risk'. One way to describe those endpoints, the segments of the impartiality risk continuum that fall between those endpoints, and the likelihood of compromised objectivity to which the endpoints and segments correspond, is as follows:

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Table 1: Level of impartiality risk

No Risk	Remote Risk	Some Risk	High Risk	Maximum Risk
Compromised objectivity is virtually impossible.	Compromised objectivity is very unlikely	Compromised objectivity is possible	Compromised objectivity is probable	Compromised objectivity is virtually certain

❖ Note also that although it cannot be measured precisely, the level of risk for any specific activity, relationship, or other circumstances that pose a threat to auditors impartiality can be described as being in one of the segments, or at one of the endpoints, on the impartiality risk continuum.

DETERMINING THE ACCEPTABILITY OF THE LEVEL OF IMPARTIALITY RISK

Determine whether the level of impartiality risk is at an acceptable position on the impartiality risk continuum. evaluate the acceptability of the level of impartiality risk that arises from specific activities, relationships, and other circumstances. That evaluation requires us to judge whether safeguards eliminate or adequately mitigate threats to auditors' impartiality posed by those activities, relationships, or other circumstances. If they do not, deciding which additional safeguard, (including prohibition) or combination of safeguards would reduce the risk, and the corresponding likelihood of compromised objectivity, to an acceptable low level.

Given certain factors in the environment in which audit takes place – for example, that is paid by the auditor - the impartiality risk cannot be completely eliminated and, therefore always accept some risk that audit objectivity will be compromised. Nevertheless, in the presence of threats to the audit impartiality, considers only a very low level of risk to be acceptable. Only such a small likelihood of compromised objectivity is consistent with both the definition and the goal of audit impartiality.

Some threats to audit impartiality may affect only certain individuals or groups within and the significance of some threats may be different for different individuals or groups. To ensure that the risk is at an acceptable low level identify the individual or groups affected by threats to impartiality and the significance of those threats. Different types of safeguards may be appropriate for different individuals and groups depending on their roles in the Company.

Individual(s) ensure that the benefits resulting from reducing the impartiality risk by imposing additional safeguards exceed the costs of those safeguards. Although benefits and costs are often difficult to identify and quantify, consider them when they make decisions about impartiality issues.

Various parties bear a variety of costs in maintaining impartiality. Some of those costs relate directly to developing, maintaining, and enforcing safeguards, including the costs of impartiality-related quality controls and costs related to the systems of accreditation and self-regulation of impartiality. Other, indirect costs of maintaining impartiality, sometimes called second-order effects or unintended consequences, also may exist. Those costs relate to possible reductions in quality or other negative outcomes that may result from safeguards that prohibit or restrict activities and relationships.

The direct and indirect costs of maintaining impartiality may be affected by many variables, including the number of individuals in an organization who will be affected by a safeguard. Because the impartiality of auditors is important not only in its own right but also in helping ensure that broad public interest objectives are met, consider second-order effects or unintended consequences that go beyond the direct impact of their decisions on the impartiality.

Level of risk is determined and mentioned in impartiality risk and opportunity register VG-AF-43.

5.2 MANAGEMENT OF RISKS

- Risks are identified and described in Impartiality Risk and Opportunity Register (VG-AF-43).
- Additional risks may be identified by any employee at any time.
- Verger Global Private Limited management reviews these risks and takes action to minimize them.
- The methods for risk assessments vary but should always include a means of identifying the risk under examination, and a description of the result of the risk assessment.
- Additional risk like (Operational risk, strategic risk, liquidity risk, and event risk, financial risk) should be identified by management due to change in any kind of structure or scope or addition of branch.

5.2.1 RISKS TO IMPARTIALITY

- Risks to impartiality are sources of potential bias that may compromise or may reasonably be expected to compromise the ability to make unbiased observations and conclusions.
- Because risks may, or may reasonably be expected to, compromise the ability to make unbiased observations and conclusions, identify and analyze the effects of risks that are sources of potential bias.
- Hence, such risks are identified and mentioned in the Impartiality Risk Register (VG-AF-43).

5.2.2 ORGANIZATIONAL AND STRUCTURAL ISSUES

- Impartiality needs to be protected by placing it within an organizational structure, which ensure mitigation of risks. The organizational structure should be such that can demonstrate its impartiality to an informed and disinterested third party.
- The structure and organization of to meet these objectives is transparent and supports the development and the application of the processes necessary to meet the above objectives. These processes include: -
    - Understanding the needs and expectations of customers and other stakeholders
    - Establishing the policy and objectives of the organization
    - Determining the processes and responsibilities necessary to attain the objectives
    - Determining and providing the infrastructure and resources necessary to attain the objectives.
    - Establishing and applying methods to determine the efficiency and effectiveness of each process.
    - The identification of potential conflict of interest at the level of both the organization and the individual, and the means of identifying it and dealing with it

- Determining means of preventing nonconformities and eliminating their causes
- Establishing and applying a process for continual improvement of the above processes
- maintaining transparency to demonstrate that its impartiality is not influenced by commercial, financial, or other external pressures either at the onset or throughout its operations.

5.3 MANAGEMENT OF OPPORTUNITIES

- Verger Global Private Limited actively seek out opportunities which could enhance its financial viability and market position. For example:
  - obtaining new contracts
  - obtaining access to new markets
  - identification of new industries which may be served by Verger Global Private Limited
  - development of new offerings that are within the scope of capabilities of Verger Global Private Limited.
  - streamlining existing processes to improve efficiency and reduce costs.
- Opportunities are identified and described in Impartiality Risk Register (VG-AF-43) and next steps / actions are planned in order to take advantage of the identified opportunities.
- Discussing and analyzing opportunities shall be done by top management. If made part of the management review activities, these shall be recorded in the management review records.

6. REFERENCES

- ISO/ IEC 17021:2015 Clause 5 and 8

7. RECORDS

- Impartiality Risk And Opportunity Register VG-AF-43

CHANGE HISTORY

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