

Agenda Item A-4

Independence – Other Assurance Engagements (MARK-UP)

291.139A Familiarity and self-interest threats which may impact on an individual's objectivity and professional skepticism, may be created by using the same individual on an assurance engagement of a recurring nature over a long period of time.

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291.139B A familiarity threat may be created as a result of an individual's long association with:

- The assurance client; or
- The subject matter and subject matter information of the assurance engagement.

291.139C A self-interest threat may be created as a result of an individual's concern about losing a longstanding assurance client of the firm or a desire to maintain a close personal relationship with the assurance client or a member of senior management.

291.139D The significance of the threats will depend on factors such as:

- The nature of the assurance engagement;
- How long the individual has been a member of the assurance team and the nature of the roles performed;
- The extent to which the individual has the ability to influence the outcome of the assurance engagement, for example by making key decisions;
- The closeness of the individual's personal relationships with the assurance client and, if relevant, senior management;
- The nature, frequency and extent of interaction between the individual and the assurance client;
- Whether there have been any changes in the individual or the individuals who are the responsible party and if relevant the client's management team; and
- Whether the nature or complexity of the subject matter information has changed.

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The combination of two or more factors may increase or reduce the significance of the threats. For example, familiarity threats created over time by the increasingly close relationship of an individual and the assurance client would be reduced by the departure of the person who is the responsible party and the start of a new relationship.

291.139E The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- Rotating the senior personnel off the assurance team;
- Having a professional accountant who was not a member of the assurance team review the work of the individual; or

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- Performing regular independent internal or external quality reviews of the engagement.

291.139F In certain situations, a firm may decide the threats are so significant that rotation of an individual is the only appropriate safeguard. Where rotation is applied, the firm shall determine an appropriate period during which the individual shall not be a member of the engagement team or provide quality control for the assurance engagement. The period should be of sufficient duration to allow the familiarity and self-interest threat to be eliminated or reduced to an acceptable level.

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