SECTION 521
FAMILY AND PERSONAL RELATIONSHIPS

Introduction

521.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

521.2 Family or personal relationships with client personnel might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

521.3 A1 A self-interest, familiarity or intimidation threat might be created by family and personal relationships between an audit sustainability assurance team member and a director or officer or, depending on their role, certain employees of the audit sustainability assurance client.

521.3 A2 Factors that are relevant in evaluating the level of such threats include:

- The individual’s responsibilities on the audit sustainability assurance team.
- The role of the family member or other individual within the client, and the closeness of the relationship.

Immediate Family of an Audit Sustainability Assurance Team Member

521.4 A1 A self-interest, familiarity or intimidation threat is created when an immediate family member of an audit sustainability assurance team member is an employee in a position to exert significant influence over the client’s financial position, financial performance or cash flows sustainability information on which the firm will express an opinion.

521.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The position held by the immediate family member.
- The role of the audit sustainability assurance team member.

521.4 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the audit sustainability assurance team.

521.4 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the audit sustainability assurance team so that the audit sustainability assurance team member does not deal with matters that are within the responsibility of the immediate family member.

R521.5 An individual shall not participate as an audit sustainability assurance team member when any of that individual’s immediate family:

(a) Is a director or officer of the audit sustainability assurance client;

(b) Is an employee in a position to exert significant influence over the preparation of the client’s records underlying the sustainability information or the sustainability
information accounting records or the financial statements on which the firm will express an opinion; or

(c) Was in such position during any period covered by the engagement or the financial statements sustainability information on which the firm will express an opinion.

Close Family of an Audit Sustainability Assurance Team Member

521.6 A1 A self-interest, familiarity or intimidation threat is created when a close family member of an audit sustainability assurance team member is:

(a) A director or officer of the audit sustainability assurance client; or

(b) An employee in a position to exert significant influence over the preparation of the client’s records underlying the sustainability information or the sustainability information accounting records or the financial statements on which the firm will express an opinion.

521.6 A2 Factors that are relevant in evaluating the level of such threats include:

- The nature of the relationship between the audit sustainability assurance team member and the close family member.
- The position held by the close family member.
- The role of the audit sustainability assurance team member.

521.6 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the audit sustainability assurance team.

521.6 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the audit sustainability assurance team so that the audit sustainability assurance team member does not deal with matters that are within the responsibility of the close family member.

Other Close Relationships of an Audit Sustainability Assurance Team Member

R521.7 An audit sustainability assurance team member shall consult in accordance with firm policies and procedures if the audit sustainability assurance team member has a close relationship with an individual who is not an immediate or close family member, but who is:

(a) A director or officer of the audit sustainability assurance client; or

(b) An employee in a position to exert significant influence over the preparation of the client’s records underlying the sustainability information or the sustainability information accounting records or the financial statements on which the firm will express an opinion.

521.7 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such a relationship include:

- The nature of the relationship between the individual and the audit sustainability assurance team member.
- The position the individual holds with the client.
- The role of the audit sustainability assurance team member.

521.7 A2 An example of an action that might eliminate such a self-interest, familiarity or intimidation
threat is removing the individual from the audit sustainability assurance team.

521.7 A3 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the audit sustainability assurance team so that the audit sustainability assurance team member does not deal with matters that are within the responsibility of the individual with whom the audit sustainability assurance team member has a close relationship.

Relationships of Partners Service Leaders and Employees of the Firm

R521.8 Partners Service leaders and employees of the firm shall consult in accordance with firm policies and procedures if they are aware of a personal or family relationship between:

(a) A partner service leader or employee of the firm or network firm who is not an audit sustainability assurance team member; and

(b) A director or officer of the audit sustainability assurance client or an employee of the audit sustainability assurance client in a position to exert significant influence over the preparation of the client’s records underlying the sustainability information or the sustainability information accounting records or the financial statements on which the firm will express an opinion.

521.8 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such a relationship include:

- The nature of the relationship between the partner service leader or employee of the firm and the director or officer or employee of the client.

- The degree of interaction of the partner service leader or employee of the firm with the audit sustainability assurance team.

- The position of the partner service leader or employee within the firm.

- The position the individual holds with the client.

521.8 A2 Examples of actions that might be safeguards to address such self-interest, familiarity or intimidation threats include:

- Structuring the partner’s service leader’s or employee’s responsibilities to reduce any potential influence over the audit sustainability assurance engagement.

- Having an appropriate reviewer review the relevant audit sustainability assurance work performed.