

Proposed Changes to Section 291

(MARK-UP)

Long Association of Senior Personnel with an Assurance Client

291.139 Familiarity and self-interest threats which may impact an individual's objectivity and professional skepticism, may be ~~are~~ created by using the same individual senior personnel on an assurance engagement over a long period of time. ~~The significance of the threats will depend on factors such as:~~

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

- The assurance client ~~and its senior management~~; or
- The subject matter and subject matter information of the assurance engagement.

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

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

- How long the individual has been a member of the assurance team ~~and the nature of the roles performed~~;
- The role of the individual on the assurance team ~~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, senior management or those charged with governance;
- The nature, frequency and extent of interaction between the individual and the assurance client, senior management or those charged with governance;
- ~~The structure of the firm;~~
- ~~The nature of the assurance engagement;~~
- Whether there have been any recent changes in senior ~~client's management team has changed~~; and
- The nature of the assurance engagement; and
- Whether the nature or complexity of the subject matter ~~or subject matter~~ information has changed.

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 a member of the client's senior management ~~the assurance client would be reduced by the departure of that the person who is the responsible party member of the client's senior management~~ and the start of a new relationship.

291.139A The significance of ~~any~~^{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 in relation to a specific engagement include:

- Rotating the individual ~~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 ~~senior personnel~~; or
- Performing rRegular independent internal or external quality reviews of the engagement.

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 participate in the assurance engagement or exert influence on the outcome of 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.