

We will continue with the topic:

6. Financial Interests

In this KLiP, we will discuss 2 questions:

a. What happens when both the parties have financial interests in the same entity?

A firm, a network firm, an audit team member, or any of that individual's immediate family shall not hold a financial interest in an entity when an audit client also has a financial interest in that entity, unless:

- i. The financial interests are immaterial to the firm, the network firm, the audit team member and that individual's immediate family member and the audit client, as applicable; or
- ii. The audit client cannot exercise significant influence over the entity.

The individual who has financial interest can become an audit team member, only if the individual or that individual's immediate family member shall dispose-off enough of the interest so that the remaining interest is no longer material.

b. What should the firm's do in situations where the financial interests are received unintentionally?

If a firm, a network firm or a partner, or employee of the firm or a network firm, or any of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit client by way of inheritance, gift, merger or interests that would not otherwise be permitted to be held, then the individual shall dispose of immediately, or enough of the interest so that the remaining interest is no longer material.

We will continue with: Things to bear in mind by different parties when they hold financial interest in an entity, in our next KLiP.

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