

In this KLiP, we will continue with the topic:

6. Financial Interests

Things to bear in mind by different parties when they hold financial interests, in an entity.

A. Close family member holding financial interests	B. An individual holding financial interests
A self-interest threat is created when an audit team member knows that the close family member has direct or indirect financial interest in the audit client	As self-interest threat is created when an audit team member knows that the financial interest in the audit client is held by: <ul style="list-style-type: none"> - The partner or professional employee of the firm or network firm, who are specially not permitted to hold financial interest by their family member; or - Individual with a close relationship with the audit team member.
Factors to consider are: <ul style="list-style-type: none"> - The nature of relationship between audit team member and close family - Whether financial interest held is direct or indirect - The materiality of the financial interest. 	Factors to consider are: <ul style="list-style-type: none"> - The nature of relationship between the audit team member and individual. - The firm's organisational, operating and reporting structure. - The materiality of the financial interest.
Examples of action, to eliminate the threat include: <ul style="list-style-type: none"> - Dispose as soon as possible all the financial interest or dispose enough of an indirect financial interest so that the remaining interest is no longer material; or - Remove the audit team member with financial interest from the audit team. 	Example of an action, to eliminate the threat include: <ul style="list-style-type: none"> - Remove the audit team member with financial interest from the audit team.
Example of an action that might be safeguards to address the threat include: <ul style="list-style-type: none"> - Having an appropriate reviewer to review the work of the audit team member. 	Examples of action that might be safeguards to address the threat include: <ul style="list-style-type: none"> - Excluding the audit team member from any significant decision-making concerning the audit engagement; or - Having an appropriate reviewer review the work of the audit team member.

With this we come to the end of the KLiP.

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