

In this KLIP, we will discuss:

9. Family and Personal Relationships

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

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

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

A self-interest, familiarity and intimidation threats are created when an immediate family member of an audit team member is an employee and, in a position, to exert significant influence over the client's financial position, financial performance or cash flows.

An individual shall not participate as an audit team member when any of that individual's immediate family:

- a) Is a director or officer of the audit client;
- b) Is an employee in a position to exert significant influence over the preparation of the client's 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.

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

- A director or officer of the audit client; or
- An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

Example of an action that might eliminate the threat arising from the situations above is by removing the individual from the audit team.

And a safeguard to address the threat is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the individual with whom the audit team member has a close relationship.

Relationships of partners and employees of the firm

Partners 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:

- i) A partner or employee of the firm or network firm who is not an audit team member; and
- ii) A director or officer of the audit client or an employee of the audit client who is in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

Examples of actions that might be a safeguard to address such self-interest, familiarity and intimidation threats include:

- Structuring the partner's or employee's responsibilities to reduce any potential influence over the audit engagement.
- Having an appropriate reviewer review the relevant audit work performed.

With this we come to the end of the KLiP.

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