

In this KLIP, we will cover 2 topics:

- 10. Recent Service with an Audit Client**
- 11. Serving as a Director or Officer of an Audit Client**

10. Recent Service with an Audit Client

If an audit team member has **recently served** as a director or officer, or employee of the audit client, a self-interest, self-review or familiarity threat might be created.

Service during and prior to period covered by the audit report

The audit team shall not include an individual who, during or prior to the period covered by the audit report:

- i. Had served as a director or officer of the audit client; or
- ii. Was 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.

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

- The position held with the client.
- The length of time since the individual left the client.
- The role of the audit team member.

An example of an action that might be a safeguard to address such a threat is having an appropriate reviewer review the work performed by the audit team member.

11. Serving as a Director or Officer of an Audit Client

Serving as a director or officer of an audit client creates self-review and self-interest threats.

A partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.

Also, a partner or employee of the firm or a network firm shall not serve as Company Secretary for an audit client of the firm, unless:

- a) This practice is specifically permitted under local law, professional rules or practice;
- b) Management makes all relevant decisions; and
- c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.

The position of Company Secretary has different implications in different jurisdictions.

The duties might range from: administrative duties (such as, personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters.

Usually, this position is seen to imply a close association with the entity. Therefore, a threat is created if a partner or employee of the firm or a network firm serves as Company Secretary for an audit client.

With this we come to the end of the KLiP.

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