

In this KLiP, we will continue with:

#### **14. Long Association of Personnel (Including Partner Rotation) with an Audit Client**

Factors that are relevant in evaluating the level of such familiarity or self-interest threats include:

##### **A. In relation to the individual:**

- The overall length of the individual's relationship with the client, including if such relationship existed while the individual was at a prior firm.
- How long the individual has been an engagement team member, and the nature of the roles performed.
- The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel.
- The extent to which the individual has the ability to influence the outcome of the audit.
- The closeness of the individual's personal relationship with senior management or those charged with governance.
- The nature, frequency and extent of the interaction between the individual and senior management or those charged with governance.

##### **B. In relation to the audit client:**

- ✓ The nature or complexity of the client's accounting and financial reporting issues and whether they have changed.
- ✓ Whether there have been any recent changes in senior management or those charged with governance.
- ✓ Whether there have been any structural changes in the client's organisation which impact the nature, frequency and extent of interactions the individual might have with senior management or those charged with governance.

*The combination of two or more factors might increase or reduce the level of the threats.*

Examples of actions that might be safeguards to address such familiarity or self-interest threats include:

- i. Changing the role of the individual on the audit team or the nature and extent of the tasks the individual performs.
- ii. Having an appropriate reviewer who was not an audit team member review the work of the individual.
- iii. Performing regular independent internal or external quality reviews of the engagement.

*And to eliminate the threat created by an individual being involved in an audit engagement over a long period of time would be by rotating the individual off the audit team.*

If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period, during which the individual shall not:

- a. Be a member of the engagement team for the audit engagement;
- b. Provide quality control for the audit engagement; or
- c. Exert direct influence on the outcome of the audit engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed.

With this we come to the end of the KLiP. We will continue with Long Association of Personnel with an Audit Clients that are Public Interest Entities, in our next KLiP.

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