

In this KLiP, we will continue with:

#### **14. Long Association of Personnel with Audit Clients that are Public Interest Entities**

In respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the “time-on” period):

1. The engagement partner;
2. The individual responsible for the engagement quality control review;
3. Any other key audit partner role.

After the time-on period, the individual shall serve a “cooling-off” period. In calculating the time-on period, the count of years shall not be restarted unless the individual ceases to act in any one of the roles stated above for a minimum period. This minimum period is a consecutive period equal to at least the cooling-off period as applicable to the role in which the individual served in the year immediately before ceasing such involvement.

For example, if the engagement partner served the engagement for four years followed by three years off from that engagement, can only act thereafter as a key audit partner on the same audit engagement for three further years (making a total of seven cumulative years). Thereafter, the cooling off period for the individual shall be five consecutive years.

##### **Cooling-off period**

If the individual acted as the engagement partner for seven cumulative years, the cooling-off period shall be five consecutive years.

Where the individual has been responsible for the quality control review and has acted in that capacity for seven cumulative years, the cooling-off period shall be three consecutive years.

If the individual has acted as a key audit partner in other than the two situations, the cooling-off period shall be for only two consecutive years.

In the real world, if there are situations where the individual acted in a combination of key audit partner role and served as the engagement partner for four or more cumulative years, the cooling-off period shall be five consecutive years.

However, if the legislative or regulatory body has established a cooling off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling off period provided that the applicable time-on period does not exceed seven years.

### **Restrictions on Activities During the Cooling-off Period**

For the duration of the relevant cooling-off period, the individual shall not:

- a. Be an engagement team member or provide quality control for the audit engagement;
- b. Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or other events affecting the audit engagement;
- c. Be responsible for leading the professional services provided by the firm or a network firm to the audit client, or overseeing the relationship of the firm or a network firm with the audit client; or
- d. Undertake any other role or activity including the non-assurance services, that would result in the individual:
  - i. Having significant interaction with senior management or those charged with governance; or
  - ii. Exerting direct influence on the outcome of the audit engagement.

With this we come to the end of the KLiP. We will discuss Provision of Non-assurance Services to an Audit Client, in our next KLiP.

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