

In this KLIP, we will continue with:

1. Applying the Conceptual Framework

Period during which independence is required

Independence, shall be maintained during both:

- a) The engagement period; and**
- b) The period covered by the “Subject Matter Information”.**

If an entity becomes an assurance client during or after the period covered by the subject matter information on which the firm will express a conclusion, the firm shall determine whether any threats to independence are created by:

- a) Financial or business relationships with the assurance client during or after the period covered by the subject matter information but before accepting the assurance engagement; or
- b) Previous services provided to the assurance client.

Also, threats to independence are created if a non-assurance service was provided to the assurance client during, or after the period covered by the subject matter information, but before the assurance team begins to perform assurance services, and the services are not being permitted during the engagement period.

In such circumstances, the firm shall evaluate and address any threat to independence created by the service and the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.

Examples of actions that might be safeguards to address such threats are:

- Using professionals who are not assurance team members to perform the service.
- Having an appropriate reviewer review the assurance and non-assurance work.

If a non-assurance service is not being permitted during the engagement period for the services not completed and it is not practical to complete or end the service before the commencement of professional services in connection with the assurance engagement, the firm shall only accept the assurance engagement if:

1. The firm is satisfied that:
 - a. The non-assurance service will be completed within a short period of time; or
 - b. The client has arrangements in place to transition the service to another provider within a short period of time;
2. The firm applies safeguards when necessary during the service period; and
3. The firm discusses the matter with those charged with governance.

General documentation of independence for assurance engagements

A firm shall document conclusions regarding compliance with the Code and any relevant discussions that support those conclusions. In particular:

- a. When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and
- b. When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.

Documentation provides evidence of the firm's judgments in forming conclusions. However, a lack of documentation may result in whether a firm considered a particular matter or whether the firm is independent.

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