

In this KLIP, we will cover:

## **8. Family and Personal Relationships**

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

For example, when an immediate family member of an assurance team member is an employee and, in a position, to exert significant influence over the underlying subject matter of the assurance engagement, threats are created.

### **Immediate family of an assurance team member**

A self-interest, familiarity or intimidation threat is created when an immediate family member of an assurance team member is an employee in a position to exert significant influence over the underlying subject matter of the assurance engagement.

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

- ♣ The position held by the immediate family member
- ♣ The role of the assurance team member

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

- a) Is a director or officer of the assurance client;
- b) In an attestation engagement, is an employee in a position to exert significant influence over the subject matter information of the assurance engagement; or
- c) Was in such a position during any period covered by the engagement or the subject matter information.

### **Close family of an assurance team member**

A self-interest, familiarity or intimidation threat is created when a close family member of an assurance team member is:

- a. A director or officer of the assurance client; or
- b. An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

An example of an action that might eliminate such threats above is through removing the individual from the assurance team.

And an example of an action that might be a safeguard to address such threats is through defining the responsibilities of the assurance team so that the assurance team member does not deal with matters that are within the responsibility of the close family member.

### **Other close relationships of an assurance team member**

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

- a. A director or officer of the assurance client; or
- b. An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

In such situations, the actions that might be applied to eliminate or be a safeguard to address the threats are the same, as stated above.

### **Relationships of partner and employees of the firm**

A self-interest, familiarity or intimidation threat might be created by a personal or family relationship between:

- ♣ A partner or employee of the firm who is not an assurance team member; and
- ♣ Any of the following individuals at the assurance client:
  - 1. A director or officer.
  - 2. An employee in a position to exert significant influence over the underlying subject matter or, in an attestation engagement, an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

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

- a. The nature of the relationship between the partner or employee of the firm and the director, officer or employee of the client.
- b. The degree of interaction of the partner or employee of the firm with the assurance team.
- c. The position of the partner or employee within the firm.
- d. The role of the individual within the client.

Examples of actions that might be safeguards to address the threats include:

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

With this we come to the end of the KLiP. We will cover the 9<sup>th</sup> and 10<sup>th</sup> topic, in our next KLiP.

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