

In this KLIP, we will cover:

## **12. Long Association of Personnel with an Assurance Client**

When an individual is involved in an assurance engagement of a recurring nature over a long period of time, familiarity and self-interest threats might be created.

Generally, a familiarity threat might be created because of an individual's long association with:

- ❖ The assurance client or client's senior management; or
- ❖ The underlying subject matter or, in an attestation engagement subject matter information of the assurance engagement.

A self-interest threat might be created because of an individual's concern about losing a long-standing assurance client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance. Such a threat might influence the individual's judgment inappropriately.

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

- ⌘ The nature of the assurance engagement.
- ⌘ The duration the individual has been an assurance team member, the individual's seniority on the team, and the nature of the roles performed, including if such a relationship existed while the individual was at a prior firm.
- ⌘ The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel.
- ⌘ The extent to which the individual, due to their seniority, has the ability to influence the outcome of the assurance engagement, for example, by making key decisions or directing the work of other engagement team members.
- ⌘ The closeness of the individual's personal relationship with the assurance client or senior management.
- ⌘ The nature, frequency and extent of interaction between the individual and the assurance client.

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 threats include:

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

An example of an action that might eliminate the threats would be rotating the individual off the assurance team.

In the event that a firm decides that such threats created can only be addressed by rotating the individual off the assurance team, the firm shall determine an appropriate period during which the individual shall not:

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

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

With this we come to the end of the KLiP. We will discuss **Provision of Non-assurance Services to Assurance Clients**, in our next KLiP.

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