

Long Association—Proposed Changes to Section 291 (MARK UP From ED)

Long Association of Personnel with an Assurance Client

291.137A Familiarity and self-interest threats, which may impact an individual's objectivity and professional skepticism, may be created and may increase in significance when an individual is involved by using the same individual on an assurance engagement of a recurring nature over a long period of time.

A familiarity threat may be created as a result of an individual's long association with:

- The assurance client; or
- The subject matter and subject matter information of the assurance engagement.

A self-interest threat may be created as a result of an individual's concern about losing a longstanding assurance client of the firm or an desire interest to in maintaining a close personal relationship with the assurance client or a member of senior management and which may inappropriately influence the individual's judgment.

291.137B The significance of the threats will depend on factors, considered individually or in combination, such as:

- The nature of the assurance engagement.
- How long the individual has been a member of the assurance team, their 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 has the ability to influence the outcome of the assurance engagement, for example by making key decisions or directing the work of other members of the engagement team.
- The closeness of the individual's personal relationship with the assurance client or, if relevant, senior management.
- The nature, frequency and extent of interaction between the individual and the assurance client.
- Whether the nature or complexity of the subject matter or subject matter information has changed.
- Whether there have been any recent changes in the individual or individuals who are the responsible party or, if relevant, senior management.

290.137C The combination of two or more factors may increase or reduce the significance of the threats. For example, familiarity threats created over time by the increasingly close relationship between ~~of~~ an individual and the assurance client would be reduced by the departure of the person who is the responsible party and the start of a new relationship.

291.137~~DC~~ The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards in relation to a specific engagement include:

- Rotating the individual off the assurance team.
- Changing the role of the individual on the assurance team or the nature of the tasks they perform.
- Having a professional accountant who is not a member of the assurance team review the work of the individual. ~~or~~
- Performing regular independent internal or external quality reviews of the engagement.
- Performing an engagement quality control review.

291.137E The purpose of changing the role of an individual on an assurance team, or rotating an individual off the assurance team, is to allow the familiarity and self-interest threats arising from the interests and relationships of that individual to be reduced or eliminated. This also allows an incoming individual, such as a new engagement partner, to take a fresh look at the assurance engagement and to perform their work free of influence and with objectivity.

291.137~~DF~~ If a firm decides that the threats are so significant that rotation of an individual is a necessary safeguard, the firm shall determine an appropriate period during which the individual shall not be a member of the engagement team. ~~or~~ provide quality control for the assurance engagement, or consult with the engagement team or the client regarding technical or industry specific issues, transactions or events (other than discussions with the engagement team limited to work undertaken or conclusions reached in the previous engagement where this remains relevant to the engagement). The period shall be of sufficient duration to allow the familiarity and self-interest threat to be eliminated or reduced to an acceptable level.