

Audit Clients that are Public Interest Entities

290.139 Familiarity or intimidation threats are created when a Key Audit Partner joins the Audit Client that is a Public Interest Entity as:

- (a) A Director or Officer of the entity; or
- (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the Financial Statements on which the Firm will express an Opinion.

Independence would be deemed to be compromised unless, subsequent to the partner ceasing to be a Key Audit Partner, the Public Interest Entity had issued audited Financial Statements covering a period of not less than twelve months and the partner was not a member of the Audit Team with respect to the audit of those Financial Statements¹.

AUST290.139 In the Australian public sector, a Key Audit Partner may join an Audit Client which is, or is treated as a Public Interest Entity in a role as described in paragraph 290.139 (a) or (b). An Auditor-General may not be able to prevent their staff from accepting such a role and is generally prevented by law from resigning from an audit or declining appointment as auditor of the relevant entity.

Accordingly, the significance of familiarity and intimidation threats shall be evaluated and safeguards applied to eliminate the threat or reduce it to an Acceptable Level. In these circumstances, an Engagement Quality Control Reviewer shall be appointed to perform an Engagement Quality Control Review of audited Financial Statements until the Public Interest Entity has issued audited Financial Statements covering a period of not less than twelve months since the Key Audit Partner was a member of the Audit Team.

Temporary Staff Assignments

290.142 The lending of staff by a Firm to an Audit Client may create a self-review threat. Such assistance may be given, but only for a short period of time and the Firm's personnel shall not be involved in:

- Providing non-assurance services that would not be permitted under this section; or
- Assuming management responsibilities.

In all circumstances, the Audit Client shall be responsible for directing and supervising the activities of the loaned staff.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. Examples of such safeguards include:

- Conducting an additional review of the work performed by the loaned staff;

¹ Refer to s 324CI of the *Corporation Act 2001* for additional prohibitions on former audit Partners joining corporate Audit Clients.

- Not giving the loaned staff audit responsibility for any function or activity that the staff performed during the temporary staff assignment; or
- Not including the loaned staff as a member of the Audit Team.

AUST290.142 In the Australian public sector, staff secondments occur and may last for extended periods, may involve provision of non-assurance services not permitted by other paragraphs under this section, or may involve assuming management responsibilities. In such secondments, the loan of the public sector equivalent of a Key Audit Partner or other audit staff from a Firm to an Audit Client may subsequently create self-review or other threats.

At the conclusion of such a secondment of a Key Audit Partner or other audit staff from a Firm, the significance of any threats shall be evaluated and safeguards applied to eliminate the threat or reduce it to an Acceptable Level. Examples of such safeguards vary depending on:

- the length of the secondment;
- the type of work performed; and
- the seniority of the staff member.

When a Key Audit Partner returns from such a secondment, they must not be assigned responsibility for, or be otherwise involved in, the audit or review of the Audit Client that employed the partner for a minimum period of two years.

Examples of safeguards that may be applied upon the return of other audit staff from such a secondment to an Audit Client include:

- Conducting an additional review of the work performed by the audit staff who were on secondment;
- Not giving the relevant audit staff responsibility to audit or review functions or activities they performed or were responsible for whilst on secondment with the Audit Client; or
- Not including the relevant audit staff as a member of the Audit Team.