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| --- | --- | --- |
| **Client:** | **$(client)** | |
| **Period end date:** | **$(start) - $(end)** | |
| **Ref. no.:** |  | |
| **Prepared by:** | $(user) | **Date:** |
| **Approved by Manager:** |  | **Date:** |
| **Approved by Partner:** |  | **Date:** |

# **Guidance (click to expand):**

This template is designed to document the engagement team’s compliance with relevant ethical requirements including independence and the conclusions reached in this regard and the substance of any relevant consultation to support those conclusions. Conversely, this documentation template may also include identification of any threats to independence; evaluation of those threats; and safeguards to be applied or rationale for no safeguards. The engagement team shall ensure all conclusions remain appropriate.

This document may also serve as a Statement of Compliance communicated to those charged with governance of a listed entity.

The Code of Ethics for Chartered Accountants (Revised 2019) issued by ICAP requires:

“In the case of an assurance engagement it is in the public interest and, therefore, required by this Code of Ethics, that members of assurance teams, firms and, when applicable network firms be independent of assurance clients.”

Further the Code requires that firms and members of engagement teams should:

1. Identify threats to independence;
2. Evaluate whether these threats are clearly insignificant; and
3. In cases when the threats are not clearly insignificant, identify and apply appropriate safeguards to eliminate or reduce the threats to an acceptable level.

The independence factors are categorized as per the nature of threats to independence i.e. self-interest, self-review, advocacy, familiarity and intimidation.

The auditor shall consider the factors mentioned in this document in addition to the factors considered during the client acceptance/continuance to identify the threats to independence and shall form a conclusion on compliance with independence requirements.

The comments column shall specifically document whether any threats have been identified; evaluation of any threats identified; and the safeguards to be applied or rationale for no safeguards.

# **Threats to Independence**

Self-interest threats

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| --- | --- |
| **Factors considered** | **Comments** |
| 1. **Can the firm or a member of the engagement team benefit from a financial interest in, or other self-interest conflict with, the client?** | **No** |
| **Specifically consider the following:** | |
| 1. Does a direct financial interest or material indirect financial interest of the firm or a member of engagement team exist in the client? | No |
| 1. Is a loan or guarantee given to or taken from the client or any of its directors or officers by the firm or a member of an engagement team? | No |
| 1. Is the firm or network firm unduly dependent on total fees from the client? | No |
| 1. Are there concerns about the possibility of losing the engagement or the client relationship? | No |
| 1. Does the firm or a member of an engagement team have a close business relationship with the client? | No |
| 1. Is any member of the engagement team expecting a potential employment with the client? | No |
| 1. Are there any contingent fees arrangements with the client? | No |

Self-review threats

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| **Factors considered** | **Comments** |
| 1. **Any product or judgement of a previous assurance engagement or non-assurance engagement needs to be re-evaluated in reaching conclusions on the audit engagement?** | **No** |
| 1. **A member of the engagement team was previously a director or officer of the audit client, or was an employee in a position to exert direct and significant influence over the financial statements of the client?** | **No** |
| **Specifically consider the following:** | |
| 1. Is any member of the engagement team being, or having recently been, a director or officer of the client? | No |
| 1. Is any member of the engagement team being, or having recently been, an employee of the client in a position to exert direct and significant influence over the financial statements? | No |
| 1. Has the firm performed services for the client that directly affect the financial statements? | No |
| 1. Is the firm or any member of the engagement team involved in the preparation of original data used to generate financial statements or preparation of other records that are to be included in the financial statements? | No |
| 1. Has the firm or a network firm been involved in the design, provision or implementation of any IT systems? | No |

Advocacy threats

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| **Factors considered** | **Comments** |
| 1. **Does the firm or a member of the engagement team, promote, or may be perceived to promote, the client’s position or opinion to the point that objectivity may be compromised?** | **No** |
| **Specifically consider the following:** | |
| 1. Is the firm or a member of an engagement team dealing in, or being a promoter of, shares or other securities in the client? | No |
| 1. Is the firm or a member of an engagement team acting as an advocate on behalf of an assurance client in litigation or in resolving disputes with third parties? | No |

Familiarity threats

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| **Factors considered** | **Comments** |
| 1. **Is the firm, or a member of the engagement team, in a close relationship with the client, its directors, officers or employees, such that the firm or a member of the engagement team becomes too sympathetic to the client’s interests?** | **No** |
| **Specifically consider the following:** | |
| 1. Does a member of the engagement team have an immediate family member or close family member who is a director or officer of the client? | No |
| 1. Does a member of the engagement team have an immediate family member or close family member who, as an employee of the client, is in a position to exert direct and significant influence over the financial statements? | No |
| 1. Is a former partner/ employee of the firm, a director, officer or an employee of the client, in a position to exert direct and significant influence over the financial statements? | No |
| 1. Is there any long association of a senior member of the engagement team with the client? | No |
| 1. Does the firm or a member of an engagement team accept gifts or hospitality, unless the value is clearly insignificant, from the client, its directors, officers or employees? | No |

Intimidation threats.

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| **Factors Considered** | **Comments** |
| 1. **May any member of the engagement team be deterred from acting objectively by threats, actual or perceived, from the directors, officers or employees of the client?** | **No** |
| **Specifically consider the following:** | |
| 1. Are there threats of dismissal or replacement of the firm over a disagreement with the application of an accounting principle? | No |
| 1. Is there a pressure to reduce inappropriately the extent of work performed in order to reduce fees? | No |
| 1. Is there any actual or threatened litigation between yourself and the client in relation to fees, audit work, or other work? | No |

Conclusion

In the light of the above factors along with the factors considered during the process of client acceptance/continuance process, no significant threats to independence have been identified. However, the above matters shall be closely examined during the audit to identify any potential threat to independence which may arise in the course of the audit. The factors shall also be updated at the time of the audit completion, if there is any change in the status of the aforementioned items.

OR

The safeguards identified ensure that the identified threats are either eliminated or reduced to an acceptable level so as to not jeopardize our objectivity and independence. However, the above matters shall be closely examined during the audit to identify any other potential threat to independence which may arise in the course of the audit. The factors shall also be updated at the time of the audit completion, if there is any change in the status of the aforementioned items.