TABLE 2.1 **Summary of independence threats and safeguards**

THREATS TO INDEPENDENCE	EXAMPLES	SAFEGUARDS TO INDEPENDENCE
Self-interest threat	• An auditor has a financial interest in their client. • An audit firm relies on the fees from a client. • An audit partner is concerned about losing a prestigious client. • An auditor has a business relationship with a client.	• Policies and procedures within an accounting firm identifying any staff with financial interest in an assurance client. • Regular review of assurance and other fees earned from each client in comparison to total fees from all assurance clients. • Minimising the provision of non-audit services to assurance clients. • Policies and procedures prohibiting business relationships with clients.
Self-review threat	• An assurance team is asked to evaluate the effectiveness of an operating system that a colleague in their firm implemented on behalf of the client. • An assurance team audits records that were prepared by a colleague in their firm on behalf of the client. • A member of the assurance team has recently been an employee of the client in a position that impacted the subject matter being assured.	• Minimising the provision of non-audit services to assurance clients. • When providing non-audit services, ensuring that the client is responsible for overseeing and guiding that work and making any final decisions regarding the outcomes of that work. • Having a cooling-off period before an audit partner can be employed in a senior role at an audit client.
Advocacy threat	• A firm promotes shares of an audit client. • An auditor represents an audit client in a legal case.	• Policies and procedures prohibiting business relationships with clients. • Policies and procedures prohibiting the representation of clients in any disputes or legal matters. • Rotating staff assigned to clients so they do not spend too much time at any one client's premises.
Familiarity threat	• An auditor has a family member who is a director on the board of an audit client. • An auditor has a family member involved in the preparation of the accounting information subject to audit. • An auditor accepts special gifts from their client. • A long association exists between members of the audit team and an audit client. • A director is on the board of an audit client who was until recently the engagement partner on the audit.	• Partner and staff rotation policies. • Education regarding acceptance of gifts and hospitality from assurance clients providing examples of what is and what is not acceptable. • Procedures when assigning staff to assurance clients ensuring no close personal relationships exist between assurance team members and client personnel. • Education regarding socialising with client personnel.
Intimidation threat	• A client threatens to dismiss the audit firm. • The audit firm is threatened with litigation by their audit client. • The client places pressure on the audit team to reduce the scope of the audit to reduce audit fees or to meet an unrealistic deadline. • A member of the client's staff places undue pressure on the audit team to allow them to use an inappropriate accounting technique.	• Avoidance of fee dependence. • Appropriate corporate governance structures within clients, such as an audit committee, to liaise with senior assurance team members and client management. • Adherence to stringent procedures regarding the removal of assurance providers.

Source: Based on Accounting Professional & Ethical Standards Board 2011, APES 110, section 290.