| **#** | **Question** | **Answer** |
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| 1 | Who is required to sign an *Independence Confirmation*? | The general principle to determine who is required to sign an *Independence Confirmation* is based on the definition of an engagement team member. Any individual who meets the definition of an “engagement team member” shall confirm his or her independence.  An “engagement team member” is defined as being:   1. Each member of the Office performing the assurance engagement. 2. Each contractor performing the assurance engagement, but does not include an external expert possessing skills, knowledge and experience in a field other than accounting or auditing whose work in that field is used to assist the member or firm in obtaining sufficient appropriate evidence. 3. All other members of the Office who can directly influence the outcome of the assurance engagement, including (i) those who recommend compensation of or those who provide direct supervisory, management or other oversight of, the assurance engagement leader connected with the performance of the assurance engagement (ii) those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance team (iii) those who provide quality control for the assurance engagement. 4. All other persons in the Office or external to the Office who can directly influence the outcome of the assurance engagement. In the case where signing authority for the auditor’s report has been delegated to an individual other than the Auditor General, the Auditor General is not normally involved in the audit, does not normally directly influence the outcome of the assurance engagement, and therefore is not normally captured in this category.   The engagement leader is required to form a conclusion on the compliance with independence requirements applicable to his or her assurance engagement. Therefore, the final determination of who should sign the *Independence Confirmation* resides with the engagement leader. Depending on the specific nature of the work performed by others, the engagement leader may ask for an *Independence Confirmation* to be completed. |
| 2 | In the definition of engagement team member, what is meant by “performing the assurance engagement”? | An individual is performing the assurance engagement when he or she directly performs audit procedures or reviews or approves audit procedures that are required in order for the engagement to be performed in accordance with professional standards, applicable legal and regulatory requirements and to enable the Office or engagement leader to issue reports that are appropriate in the circumstances.  For example an individual would be performing the assurance engagement by virtue of any one of the following actions:   * planning the assurance engagement, * providing supervision and review of engagement team members, * gathering audit evidence, * performing analysis, * drawing conclusions, * drafting the assurance engagement report. |
|  |  | The list of actions above is not exhaustive, the final determination of what actions constitute “performing the assurance engagement” resides with the engagement leader. |
| 3 | In the definition of engagement team member, what is meant by “can directly influence the outcome of the assurance engagement”? | An individual is directly influencing the outcome of an assurance engagement when he or she, through the use of his or her authority, seniority, specialized expertise or otherwise influences the actions or direction taken by an individual participating in the assurance engagement impacting the subject matter, conclusion(s) or recommendation(s) included in the engagement report. |
| 4 | Do internal and external specialists meet the definition of an engagement team member? | **Internal specialists** involved in performing the assurance engagement or provide advice other than of an informal nature in their area of specialization meet the definition of an engagement team member and as a result are required to sign an *Independence Confirmation*.  **External specialists** do not always meet the definition of an engagement team member which in turn affects their need to sign an *Independence Confirmation*.  External specialists meet the definition of an engagement team member and need to sign an *Independence Confirmation* when they possess skills, knowledge and experience in accounting or auditing and will be involved in any of the following activities:   * performing the assurance engagement (i.e. performing procedures that will give rise to audit evidence used by the engagement leader to form a conclusion); * performing work used by the auditor to assist the auditor with obtaining sufficient appropriate audit evidence; * providing advice regarding technical subject matter or industry-specific subject matter issues, transactions, or events for the assurance team; * directly influencing the outcome of the engagement.   External specialists do not meet the definition of engagement team member when they possess skills, knowledge and experience in a field other than accounting or auditing and their work in that field will be used to assist the auditor in obtaining sufficient appropriate evidence.  Where an external specialist does not meet the definition of a member of the engagement team the auditor will among other considerations, evaluate the specialist’s objectivity rather than independence in connection with the auditor’s requirements to use of the work of management’s experts (CAS 500) or auditor’s experts (CAS 620) as the case may be. |
| 5 | Under what circumstances are external contractors required to supplement the professional services contract with an *Independence Confirmation*? | Office professional services contracts require consultants to be familiar with the OAG Code of Values, Ethics and Professional Conduct and discuss with the Office all actual and potential conflicts of interest that may affect their work with the Office.  The engagement leader shall ensure that the professional services contract for an external specialist or consultant is supplemented with a completed *Independence Confirmation* when the external specialist or consultant meets the definition of an engagement team member (see #1 and #4 above). This is typically evidenced by the external specialist or consultant being involved in the following aspects of the assurance engagement, in the accounting or auditing field only:   * involved in performing the assurance engagement; (see # 2 above) * provides consultation regarding technical subject matter or industry specific subject matter issues, transactions or events; * directly influences the outcome of the engagement; * performs work used by the auditor to assist the auditor with obtaining sufficient appropriate audit evidence.   An external specialist or consultant not acting in any of the above capacities would not normally be required to supplement the professional services contract with a signed *Independence Confirmation.*  The objectivity of the external specialist or consultant is to be assessed, however, as set out in paragraph 19 of the professional services contract.  Engagement leaders may refer to either CAS 620.9, A18-A20 (financial audits) or CSAE 3001.57, A125-A128 (special examinations and performance audits) for guidance on considerations in assessing the objectivity of the external specialist or consultant. |
| 6 | Do external advisory committee members (Performance Audit & Special Examinations) meet the definition of an engagement team member? | An external advisory committee member would not usually meet the definition of an engagement team member because they do not directly influence the outcome of the assurance engagement. The engagement leader should, however, be aware of significant conflicts of interest or independence issues for each external advisor and consider the potential bias when disposing of the advice received.  An external advisory committee member (PA & SE) is not expected to have the same degree of independence as an engagement team member since external advisory committee members are selected for their experiences with the entity or the industry.  In some instances, external advisory committee members are used by the engagement team as subject matter experts who provide advice throughout the engagement. In those instances, only an external advisor in the auditing field would meet the engagement team member definition because he can directly influence the outcome of the assurance engagement (AA only). |
| 7 | Does the Auditor General, the Deputy Auditor General (where appointed) or the Assistant Auditor General need to sign an *Independence Confirmation*? | The Auditor General is subject to a separate independence process managed by the Office of the Conflict of Interest and Ethics Commissioner (CIEC). In this process the Auditor General is required to complete and submit a Confidential Report disclosing assets, liabilities, income and activities within 60 days of appointment and has a continuing requirement to communicate material changes to the CIEC. Notwithstanding this safeguard, the Auditor General has chosen to follow the independence policies and procedures established by the Office. The Auditor General signs an independence confirmation for each assurance engagement where he meets the definition of an engagement team member.  The process for confirming independence with the Auditor General is managed by his administrative assistant. The engagement leader shall determine if the Auditor General meets the definition of an engagement team member on their assurance engagement. Where an independence confirmation is required, the engagement leader shall prepare the confirmation and send an electronic copy of it to the Auditor General’s administrative assistant. A prepared confirmation has sections A-H fully documented and all checkboxes pre-ticked. Once signed by the Auditor General, the scanned copy will be returned to the engagement leader within 5 business days of receipt.  In circumstances where a Deputy Auditor General or an Assistant Auditor General meet the definition of an engagement team member, a confirmation of his or her independence must be obtained for the assurance engagement.  In some cases, signing authority for an annual audit or special examination opinion is delegated from the Auditor General to an Assistant Auditor General or to an audit Principal. In these cases, the Auditor General or the Assistant Auditor General may not participate in or otherwise meet the definition of an engagement team member and therefore would not need to confirm his or her independence. |
| 8 | Does the Quality Reviewer need to sign an *Independence Confirmation*? | Yes, the Quality Reviewer must sign an *Independence Confirmation*. |
| 9 | Do Audit Services need to sign *Independence Confirmations*? | Formal consultations with Audit Services regarding technical subject matter or industry specific subject matter issues, transactions or events that directly influence the engagement require an *Independence Confirmation* to be signed by those members of Audit Services who have provided the advice.  Mandatory reviews performed by Audit Services such as reviewing draft auditor’s reports, financial statements and special examination plans and reports can directly influence the outcome of the assurance engagement and therefore require an *Independence Confirmation* to be signed by those members of Audit Services who have performed the review.  Consultations with Audit Services regarding the existence and application of OAG methodology without reference to a specific entity, transaction, issue or event do not directly influence the engagement and therefore do not require an *Independence Confirmation*. In addition, informal consultations typically do not require the consulted party to complete an *Independence Confirmation.* |
| 10 | Are editors, translators and communication staff required to sign an *Independence Confirmation*? | No, these individuals provide services to the engagement teams and generally they are not considered to be part of the definition of an engagement team member. The advice provided by editors and translators and communications staff does not usually have a direct influence on the outcome of the assurance engagement report and therefore an *Independence Confirmation* is not required. |
| 11 | Do joint auditors need to sign an *Independence Confirmation*? | No, an *Independence Confirmation* is not required to be signed and on file for joint audit staff. When joint audits are undertaken, the engagement leader should obtain assurance from the joint audit partner that an independence assessment has been performed. Similarly, the Office should be in a position to provide the same assurance to the joint auditor. |
| 12 | Do component auditors need to sign an *Independence Confirmation*? | The group audit engagement leader is required to obtain an understanding of whether the component auditor understands and will comply with the relevant ethical requirements that are relevant to the group audit and in particular if the component auditors are independent.  If the component auditor is an external firm (Non‑OAG) the group engagement leader should obtain a signed copy of the *Ethical Confirmation, including independence* (included in **Appendix B** of the External Firms/Auditors (Non‑OAG) Letter of Instruction Template for use on Multi-location Audits) from the component auditor.  If the component auditor is another OAG audit team, the group engagement leader may rely on the independence policies, systems, and procedures in place at the OAG and, therefore, written confirmations from OAG component teams confirming their independence are not required. The group engagement team may choose to request written confirmation from component auditors in the letter of instructions that they will comply with ethical requirements relevant to the group audit.  For additional information consult the OAG Annual Audit Methodology on Multi-location (Group) Audits section 2328 Compliance with ethical requirements, particularly independence. |
| 13 | What should be done if I think that I might have a threat to independence? | If you believe that you may have a threat to independence, you should promptly communicate your concerns to the engagement leader and refrain from commencing or continuing work on the assurance engagement until the issue has been resolved. |
| 14 | Who is responsible for identifying and resolving a threat to independence? | Engagement team members are required to promptly notify the engagement leader of any circumstances or relationships that create threats to independence via the *Independence Confirmation*. If the threat is considered by the engagement leader to be other than insignificant, the engagement team member is required to initiate an *Exception Report*. The engagement leader is required to complete the *Exception Report*.The engagement leader shall:evaluate information on the identified threat,determine the impact of the threat on the assurance engagement, anddetermine the appropriate action to take to eliminate the threat or reduce it to an acceptable level. The engagement leader promptly communicates the proposed safeguards to the Internal Specialist—Values and Ethics. The Internal Specialist—Values and Ethics performs an objective review of the proposed safeguards and provides the engagement leader with an assessment of the proposed safeguard, which may include additional actions to reduce the threat to an acceptable level.  The engagement leader is required to take appropriate action to eliminate or reduce threats to independence to an acceptable level. |
| 15 | What should be done with a completed *Independence Confirmation*? Can they be stored in the engagement file? | A completed *Independence Confirmation* must be reviewed by the engagement leader.  The engagement file must include a completed *Independence Confirmation* for each individual who meets the definition of an engagement team member in order to evidence compliance with Office Independence policies. |
| 16 | What should be done with a completed *Exception Report*? Can they be stored in the engagement file? | An *Exception* *Report* must be reviewed and approved by the engagement leader and the Internal Specialist—Values and Ethics. The safeguards agreed upon in the *Exception Report* must be applied to eliminate or reduce the threat(s) to an acceptable level before the engagement team member commences work on the assurance engagement.  A completed *Exception Report* is provided to Records Management for filing in the engagement team member’s personnel file. A completed *Exception Report* **cannot be included in the engagement file**. |
| 17 | Who should be contacted if I have a question regarding independence? | Questions regarding independence should be discussed with the engagement leader or the Internal Specialist—Values and Ethics. |
| 18 | What is the period of time that an individual needs to be independent of the assurance entity? | An individual signing the *Independence Confirmation* must be independent for the:   1. period covered by the assurance engagement report which means, in the case of annual audits, the period covered by the financial statements as referred to in the auditor’s report. In the case of special examinations and performance audits, the period under examination; and 2. period of the current assurance engagement, which means the period that starts at the earlier of the date when the member or firm signs the engagement letter or commences procedures in respect of the engagement and ends when the assurance report is issued, except when the engagement is of a recurring nature, in which case the engagement period ends with:   (a) notification by either the client or the firm that the professional relationship has terminated or the issuance of the final assurance report, whichever is later; or  (b) in the case of an audit engagement for a reporting issuer or listed entity, notification by either the client or the firm to the relevant Securities Commission that the audit client is no longer an audit client of the firm.  (Note: The report is issued on the date of the opinion/report.) |
| 19 | Do I only need to consider my independence once -when I sign an *Independence Confirmation* at the start of the engagement? | No, the *Independence Confirmation* requires that the engagement team member consider his or her independence throughout the engagement and promptly communicate any changes in circumstances or relationships to the engagement leader. The following declarations are required by the engagement team member at the point in time that they sign the confirmation.  “I agree to promptly inform the engagement leader if during the course of this engagement I have access to information not generally available to the public, which is related to a direct or indirect financial interest held by me, my spouse (or equivalent) or dependants.”  “I agree to continue to abide by the Office’s policies on independence and acknowledge my responsibility to promptly notify the engagement leader of changes in our circumstances and relationships occurring subsequent to the date of this confirmation that may create threats to my independence or the independence of the Office with respect to this assurance engagement.” |
| 20 | What if a change in circumstances occurs during the engagement which gives rise to a threat to independence? | The engagement team member must promptly inform the engagement leader of the possible threat to independence. The engagement team member must cease performing work on the assurance engagement until the issue has been resolved. If the threat is considered to be other than insignificant by the engagement leader, the engagement team member is required to initiate an *Exception Report*. The engagement leader is then required to complete the *Exception Report*, in consultation with the Internal Specialist—Values and Ethics. The engagement leader shall:evaluate information on the identified threat,determine the impact of the threat on the assurance engagement, anddetermine the appropriate action to take to eliminate the threat or reduce it to an acceptable level. The engagement leader is required to take appropriate action to eliminate or reduce threats to independence to an acceptable level. |
| 21 | How does the annual *Conflict of Interest—Confidential Report* relate to Independence? | The annual *Conflict of Interest—Confidential Report* is an Office procedure designed to remind Office employees of the importance of the Office’sCode of Values, Ethics and Professional Conduct and the relevant ethical requirements, including independence. The form is a preventative control that reinforces the fact that Office employees and members of their immediate families should have no financial or other interests that could conflict with the employees’ responsibilities or call into question their judgment or objectivity.  Office employees must disclose all of their reportable assets, liabilities, or other interests (without indicating their value) that could jeopardize or call into question their judgment or objectivity. For purposes of the disclosure, other interests include personal relationships with staff or entities; gifts, hospitality (not allowable under the Code), or other benefits; or participation in outside employment or activities.  This form includes an additional independence declaration for **all staff working on audit engagements.** Staff members who, during the course of the year, meet the definition of engagement team member on at least one assurance engagement are required to declare that they have read the Office policies on independence and that they comply with these policies and procedures, as required by relevant ethical requirements.  The *Independence Confirmation* is an engagement level procedure that is specific to the assurance engagement that an individual has been assigned to as an engagement team member. The engagement level confirmation is a detective control designed to provide the engagement leader with a mechanism to identify specific circumstances and relationships related to their engagement so that they may take appropriate action to eliminate or reduce threats to independence. |
| 22 | What is meant by a Related Entity? Why do I have to list them on my *Independence Confirmation*?  *(Independence Confirmation ref F)* | A **related entity** means any one of the following:   1. *in the case of an engagement to audit the financial statements of a client that is a reporting issuer or listed entity:* 2. *an entity over which the client has control;* 3. *an entity that has control over the client, provided that the client is material to such entity;* 4. *an entity that has significant influence over the client, provided that the client is material to such entity;* 5. *an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or* 6. *an entity over which a client has significant influence, provided that the entity is material to the client;*   *(b) in the case of an engagement to audit or review the financial statements of a client that is not a reporting issuer or listed entity:*  *(i) an entity over which the client has control; or*  *(ii) any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the audit or review of the financial statements of the client:*   1. *an entity that has control over the client, provided the client is material to such entity;* 2. *an entity that has significant influence over the client, provided that the client is material to such entity;* 3. *an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or* 4. *an entity over which a client has significant influence, provided that the entity is material to the client; and*   *(c) in the case of an assurance engagement that is not an engagement to audit or review the financial statements of a client, any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the assurance engagement:*  *(i) an entity over which the client has control;*  *(ii) an entity that has control over the client, provided that the client is material to such entity;*  *(iii) an entity that has significant influence over the client, provided that the client is material to such entity;*  *(iv) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or*  *(v) an entity over which a client has significant influence, provided that the entity is material to the client.*  The related entities are identified and communicated to the engagement team by the engagement leader. These related entities are listed on the *Independence Confirmation* to facilitate engagement team member confirmations related to financial interests, relationships and other circumstances. |
| 23 | Is the concept of a “related entity” for independence purposes the same as the concept of a “related party” for accounting purposes?  *(Independence Confirmation ref F)* | The concepts are **similar but not the same**. When listing related entities for purposes of the *Independence Confirmation,* do not assume that related parties for accounting purposes are the same.  For example, related parties for accounting purposes includes both individuals and entities that control and influence the assurance entity, including joint venture arrangements whereas related entities for independence purposes do not include the consideration of individuals or joint ventures. |
| 24 | The related entity definition requires consideration of an entity that is under common control with the assurance entity.  Am I expected to confirm independence against all Government of Canada departments, agencies and Crown Corporations which are under the same common ownership as my assurance entity?  *(Independence Confirmation ref F)* | No, you are not expected to confirm independence against all Government of Canada departments, agencies and Crown Corporations which are under the same common ownership with the assurance entity.  Entities that are under common control by a state (that is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.(CAS 550.10(b))  Therefore, you are required to confirm independence with consideration of those common ownership entities with which your assurance entity engages in **significant** transactions or shares resources related to the subject matter of the engagement to a **significant** extent.  Also note the materiality considerations in the definitions included under FAQ 22. |
| 25 | I am a performance audit PX, how am I supposed to determine who the “related entities” are?  *(Independence Confirmation ref F)* | The determination of related entities for purposes of confirming independence may be made in consultation with Internal Specialist, Values and Ethics and if necessary with the Assistant Auditors General or PX colleagues from within or outside of the performance audit practice who have experience with or an understanding of the assurance entity. |
| 26 | Do we need to include the department that provides appropriations to the assurance entity as a related entity?  *(Independence Confirmation ref F)* | Appropriations are voted by Parliament and for some entities, must be supplied via a flow-through of the funds through a department to the assurance entity.  Appropriations flowing through from a department to an assurance entity do not trigger the inclusion of the department as a related entity for purposes of the *Independence Confirmation*. |
| 27 | What is an Engagement Specific Prohibited Holdings? Why do I have to list them on my *Independence Confirmation*?  *(Independence Confirmation ref G)* | An engagement specific prohibited holding are those financial interests or assets that if held directly or indirectly by an engagement team member, a spouse (or equivalent) or a dependant may give rise to an independence threat on the assurance engagement, in fact or in appearance.  The engagement specific holdings should be identified and communicated to engagement team members by the engagement leader. These holdings are listed on the *Independence Confirmation* to facilitate engagement team member confirmations related to financial interests, relationships and other circumstances. |
| 28 | What is a direct financial ownership interest? Why do I have to declare if I have any?  *(Independence Confirmation ref (i))* | A **direct financial ownership interest** means an ownership interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest that is:  (a) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);  (b) beneficially owned through a collective investment vehicle **over which the individual or entity has control or ability to influence investment decisions**such as an estate, trust or other intermediary; or  (c) owned through an investment club or by a private mutual fund **in which the individual participates in the investment decisions**.  A direct financial ownership interest in the assurance entity, related entity or an engagement specific prohibited holding may give rise to a self-interest threat to independence that therefore must be declared on the *Independence Confirmation*. |
| 29 | What is an indirect financial ownership interest? Why do I have to declare if I have any?  *(Independence Confirmation ref (i))* | An **indirect financial ownership interest** means an ownership interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest that is beneficially owned through a collective investment vehicle such as a mutual fund, estate, trust or other intermediary **over which the beneficial owner has no control or ability to influence investment decisions.**  A material indirect financial ownership interest in the assurance entity, related entity or an engagement specific prohibited holding may give rise to a self-interest threat to independence that therefore must be declared on the *Independence Confirmation*. |
| 30 | Mutual funds are included in the definition of indirect financial ownership interest.  Am I expected to consider mutual fund holdings when I confirm my independence?  *(Independence Confirmation ref (i))* | Interests in mutual funds should be considered when confirming independence.  Because of the nature of the Office’s assurance entities, it is unlikely a breach of independence requirements would arise from a public mutual fund held by an engagement team member, his or her spouse (or equivalent) or dependents.  A public mutual fund that has a financial interest in an assurance entity, any related entities or an engagement specific prohibited holding may threaten an engagement team member’s independence.  Engagement team members shall consider holdings of public mutual funds a threat to independence where those public mutual funds have a financial interest in the assurance entity, any related entities or an engagement specific prohibited holding that is, in aggregate, material to the public mutual fund. |
| 31 | Do holdings of Government of Canada Bonds create a threat to independence?  *(Independence Confirmation ref (i))* | It is unlikely that a threat or breach of independence requirements would arise from a Canada Savings Bond, Government of Canada bond or other similar investments in securities of fixed value issued by any level of government in Canada (“government bonds”) held by an engagement team member, his or her spouse (or equivalent) or dependents. Therefore, generally holdings of government bonds will not trigger a threat on the *Independence Confirmation.*  Similarly, an indirect financial ownership interest (e.g. mutual funds) which has a significant portion of its holdings invested in government bonds would not, under normal circumstances, result in a threat or breach to independence requirements and as a result would not be flagged as a threat on the *Independence Confirmation.* |
| 32 | What kinds of loans or loan guarantees would be considered unacceptable?  *(Independence Confirmation ref (ii))* | Personal loans or personal loan guarantees granted to or received from an assurance entity, its management, those charged with governance or any related entity or any other loans or loan guarantees that are not made under normal commercial terms and conditions or which are not in good standing are considered unacceptable.  A loan from, or a loan guaranteed by, an assurance entity that is a bank or a similar financial institution would not create a threat to independence provided the loan or guarantee is made under normal commercial terms and conditions and is in good standing. Examples of such loans include home mortgages, bank overdrafts, car loans and credit card balances.  Similarly, deposits or brokerage accounts with an assurance entity that is a bank, broker or similar financial institution would not create a threat to independence provided the deposit or brokerage account was held under normal commercial terms and conditions. |
| 33 | What does the Office mean by personal relationships for purposes of confirming independence?  *(Independence Confirmation ref (iii))* | A personal relationship could include, but is not necessarily limited to, your spouse, common law partner, relative, friend, close acquaintance.  For example you should declare the following types of relationships:   * your cousin is the Chief Financial Officer at the entity you are auditing, or at a related entity * a close high school friend is directly responsible for the subject matter of the assurance engagement   In assessing any threat to independence related to a personal relationship, the significance of the relationship will depend on a number of factors, including the person’s responsibilities on the assurance engagement, the closeness of the relationship and the role of the individual within the assurance entity or related entity. |
| 34 | What does the Office mean by a close business relationship for purposes of confirming independence?  *(Independence Confirmation ref (iv))* | Any relationship involving a common commercial or financial interest such as a material financial interest in a joint venture between an engagement team member and an assurance entity, a related entity, the management of either, or those charged with governance would be a business relationship of concern.  A close business relationship may not create a threat to independence if it is limited to a financial interest that is immaterial and the relationship is clearly insignificant to both parties.  A close business relationship does not include the relationship created by the professional engagement between the assurance entity and the engagement team member.  The purchase of goods or services from an assurance entity by an engagement team member will not generally create a threat to independence, provided the transaction is conducted in the normal course of the assurance entity’s business and on an arm’s length basis. |
| 35 | When I confirm that none of us has served as an officer or director with this assurance entity or a related entity, or is/was in a position to exert significant influence over the subject matter of the engagement, what is the period of time that I should be considering?  *(Independence Confirmation ref (v))* | Engagement team members should identify services provided by them, their spouse (or equivalent) or dependants to the assurance entity or a related entity or where they were in a position to exert significant influence over the subject matter of the engagement, during the period covered by the assurance report or the engagement period, as defined in the endnotes of the *Independence Confirmation form*. |
| 36 | I am seeking employment within the Public Service. Do I need to disclose this in an exception report?  *(Independence Confirmation ref (xii))* | Seeking employment within the larger Public Service with a specific entity listed in part E (Assurance Entity) or part F (Related Entity) of the *Independence Confirmation* may give rise to a threat to independence and should be disclosed. |
| 37 | Who should sign off on the engagement leader’s (PX’s) Independence Confirmation form? | Consistent with Office policy as set out in section 3031 of the product line manuals, the engagement leader (PX) is required to form a conclusion on team members’ compliance with independence requirements that apply to the assurance engagement. Since the PX must form the overall conclusion on team member compliance with independence requirements, he/she should review, and indicate his/her sign-off in TeamMate accordingly, for all independence confirmations in the file, including that of an AAG. With respect to the PX’s own independence confirmation:   * If there is an exception to disclose, the engagement leader should identify safeguards in cooperation with the Internal Specialist, Values and Ethics and sign the exception report. * The DX or AP3 would usually be the second sign-off on the PX’s form in TeamMate where there are no exceptions to report. |