

MAPPING TABLE TO THE COMPILATION OF PROPOSED RESTRUCTURED CODE AS OF JANUARY 2017

Note: This Mapping Table has been prepared by the Staff of the International Ethics Standards Board For Accountants® (IESBA) for information only. It is intended to assist readers in their review of the January 2017 [Staff-prepared compilation of the restructured Code](#) and compares the material in the extant Code to the proposed restructured Code.

When applicable, the explanation in the comments column highlight the reason for the changes. For additional information about the IESBA’s rationale to revisions to the material in the extant Code, refer to the [Basis for Agreement in Principle](#) documents for Phase 1 of the Structure and Safeguards projects, [Structure ED-2](#) and [Safeguards ED-2](#).

Extant Code		Restructured Code	Comments
PREFACE			
Preface	The IESBA develops and issues, under its own authority, the Code of Ethics for Professional Accountants (the Code) for use by professional accountants around the world.	The IESBA develops and issues, under its own standard setting authority, the <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (“the Code”). The Code is for use by professional accountants around the world. The IESBA establishes the Code for international application following due process.	Now includes reference to international independence standards.
Preface	A member body of IFAC or firm shall not apply less stringent standards than those stated in this Code. However, if a member body or firm is prohibited from complying with certain parts of this Code by law or regulation, they shall comply with all other parts of this Code.	The International Federation of Accountants (IFAC) establishes separate requirements for its member bodies with respect to the Code.	Extant paragraphs replaced with less specific language as a Preface should not impose requirements.

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g	Some jurisdictions may have requirements and guidance that differ from those contained in this Code. Professional accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirements and guidance unless prohibited by law or regulation.	100.3 A1	The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have requirements and guidance that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirements and guidance unless prohibited by laws or regulations.	This material has been moved to the body of the Code.
PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK				
Section 100 Complying with the Code				
Section 110 The Fundamental Principles				
Section 120 The Conceptual Framework				
100.1	A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant’s responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant shall observe and comply with this Code. If a professional accountant is prohibited from complying with certain parts of this Code by law or regulation, the	100.1	A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. A professional accountant’s responsibility is not exclusively to satisfy the needs of an individual client or employing organization. Therefore, the Code contains requirements and application material to enable accountants to meet their	

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	professional accountant shall comply with all other parts of this Code.		responsibility to act in the public interest.	
100.2	<p>This Code contains three parts. Part A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework that professional accountants shall apply to:</p> <p>(a) Identify threats to compliance with the fundamental principles;</p> <p>(b) Evaluate the significance of the threats identified; and</p> <p>(c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>	<p>120.2 The conceptual framework specifies an approach for the professional accountant to:</p> <p>(a) Identify threats to compliance with the fundamental principles;</p> <p>(b) Evaluate the threats identified; and</p> <p>(c) Address the threats by eliminating or reducing them to an acceptable level.</p> <p>R120.3 The professional accountant shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles set out in Section 110.</p> <p>R120.5 When applying the conceptual framework, the professional accountant shall:</p> <p>(a) Exercise professional judgment;</p> <p>(b) ...</p> <p>(c) ...</p> <p>120.3 A1 Additional requirements and application material that are relevant</p>	<p>The requirement in the last sentence in paragraph 100.2 of the extant Code is repeated in a different way in the second sentence in paragraph 100.7 of the extant Code (“... shall use professional judgment...” versus “...shall exercise professional judgment ...”. The latter is used in the restructured Code.</p> <p>The material in paragraph 100.2 of the extant Code is also addressed in paragraphs 1,2 and 4 of the Guide to the restructured Code.</p>	

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100.3	<p>Parts B and C describe how the conceptual framework applies in certain situations. They provide examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants in public practice. Part C applies to professional accountants in business. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p>	<p>to the application of the conceptual framework are set out in:</p> <ul style="list-style-type: none"> (a) <i>Part 2 – Professional Accountants in Business;</i> (b) <i>Part 3 – Professional Accountants in Public Practice;</i> and (c) <i>International Independence Standards, as follows:</i> <ul style="list-style-type: none"> (i) <i>Part 4A – Independence for Audits and Reviews;</i> and (ii) <i>Part 4B – Independence for Other Assurance Engagements.</i> 	
100.4	<p>The use of the word “shall” in this Code imposes a requirement on the professional accountant or firm to comply with the specific provision in which “shall” has been used. Compliance is required unless an exception is permitted by this Code.</p>	<p>100.2 The requirements in the Code, designated with an “R,” impose obligations. Application material, designated with an “A,” provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of the Code. In particular, the application material is intended to help a professional accountant to understand how to apply the conceptual framework to a particular</p>	<p>This material is replaced by a more robust discussion about requirements and application material in the Code.</p> <p>This material is also dealt with in paragraphs 9-13 of the Guide to the restructured Code.</p>

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		<p>set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework.</p> <p>R100.3 A professional accountant shall comply with the Code. There might be circumstances when laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.</p> <p>100.3 A1 The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have requirements and guidance that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirements and</p>	

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		<p>guidance unless prohibited by laws or regulations.</p> <p>100.3 A2 A professional accountant might encounter unusual circumstances in which the accountant believes that the result of applying a specific requirement of the Code would be disproportionate or might not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional body or a regulator.</p>	
100.5	<p>A professional accountant shall comply with the following fundamental principles:</p> <p>(a) Integrity – to be straightforward and honest in all professional and business relationships.</p> <p>(b) Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.</p> <p>(c) Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance</p>	<p>110.1 There are five fundamental principles of ethics for professional accountants:</p> <p>(a) Integrity – to be straightforward and honest in all professional and business relationships.</p> <p>(b) Objectivity – not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.</p> <p>(c) Professional Competence and Due Care – to:</p> <p>(i) Attain and maintain professional knowledge and skill at the level required to ensure that a</p>	

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	<p>with applicable technical and professional standards.</p> <p>(d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.</p> <p>(e) Professional Behavior – to comply with relevant laws and regulations and avoid any action that discredits the profession.</p> <p>Each of these fundamental principles is discussed in more detail in Sections 110–150.</p>		<p>client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and</p> <p>(ii) Act diligently and in accordance with applicable technical and professional standards.</p> <p>(d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.</p> <p>(e) Professional Behavior – to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.</p> <p>R110.2 A professional accountant shall comply with each of the fundamental principles.</p> <p>110.2 A1 The fundamental principles of professional ethics set out in the Code</p>	

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		<p>establish the standard of behavior expected of a professional accountant. The conceptual framework establishes the approach which all accountants are required to apply to assist them in achieving compliance with those fundamental principles. Subsections 111 to 115 set out requirements and application material related to each of the fundamental principles.</p>	
100.6	<p>The circumstances in which professional accountants operate may create specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates threats to compliance with the fundamental principles and specify the appropriate action. In addition, the nature of engagements and work assignments may differ and, consequently, different threats may be created, requiring the application of different safeguards. Therefore, this Code establishes a conceptual framework that requires a professional accountant to identify, evaluate, and address threats to compliance with the fundamental principles. The conceptual framework approach assists professional accountants in complying with the ethical requirements of this Code and meeting their responsibility to act in the public interest. It accommodates many variations in</p>	<p>120.1 The circumstances in which professional accountants operate might create threats to compliance with the fundamental principles. Section 120 sets out requirements and application material, including a conceptual framework, to assist accountants in complying with the fundamental principles and meeting their responsibility to act in the public interest. Such requirements and application material accommodates the wide range of facts and circumstances, including the various professional activities, interests and relationships, that create threats to compliance with the fundamental principles. In addition they deter an accountant from concluding that a situation is permitted solely because</p>	<p>The requirement for professional accountants to apply the conceptual framework referenced in the third sentence is set out in paragraph R120.3 (see mapping for paragraph 100.2 above).</p>

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	<p>circumstances that create threats to compliance with the fundamental principles and can deter a professional accountant from concluding that a situation is permitted if it is not specifically prohibited.</p>	<p>120.2</p> <p>that situation is not specifically prohibited by the Code.</p> <p>The conceptual framework specifies an approach for the professional accountant to:</p> <ul style="list-style-type: none"> (a) Identify threats to compliance with the fundamental principles; (b) Evaluate the threats identified; and (c) Address the threats by eliminating or reducing them to an acceptable level. 	
100.7	<p>When a professional accountant identifies threats to compliance with the fundamental principles and, based on an evaluation of those threats, determines that they are not at an acceptable level, the professional accountant shall determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level. In making that determination, the professional accountant shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level</p>	<p>R120.5</p> <p>When applying the conceptual framework, the professional accountant shall:</p> <ul style="list-style-type: none"> (a) Exercise professional judgment; (b) Remain alert for new information and to changes in facts and circumstances; and (c) Use the reasonable and informed third party test as described in paragraph 120.5 A1. 	<p>More explicit and robust requirement that builds on material in paragraphs 220.6, 290.7 and 310.6 of the extant Code.</p>

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	by the application of the safeguards, such that compliance with the fundamental principles is not compromised.		
		<p>120.5 A1 The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience, to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.</p>	New description for reasonable and informed third party.
		<p>R120.6 The professional accountant shall identify threats to compliance with the fundamental principles.</p>	New explicit requirement derived from derived from 100.6, 290.1 of the extant Code.

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100.8	A professional accountant shall evaluate any threats to compliance with the fundamental principles when the professional accountant knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.	<p>R120.7 When the professional accountant identifies a threat to compliance with the fundamental principles, the accountant shall evaluate whether such a threat is at an acceptable level.</p> <p>120.6 A1 An understanding of the facts and circumstances, including any professional activities, interests and relationships that might compromise compliance with the fundamental principles, is a prerequisite to the professional accountant's identification of threats to such compliance.</p>	The requirement in R120.17 is also derived from the material in paragraph 100.6 of extant Code.
		120.8 A1 An acceptable level is a level at which a professional accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.	Material from Glossary in extant Code brought forward into the body of the restructured Code (see mapping for terms in Glossary below).
		<p>R120.9 If the professional accountant becomes aware of new information or changes in facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the accountant shall re-evaluate and address that threat accordingly.</p>	Derived from material in paragraph 290.10 of extant Code (see mapping for paragraph 290.10 below).

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		120.9 A2 If new information results in the identification of a new threat, the professional accountant is required to evaluate and, as appropriate, address this threat (Ref: Paras. R120.7 and R120.10).	
		120.9 A1 Remaining alert throughout the professional activity assists the professional accountant in determining whether new information has emerged or changes in facts and circumstances have occurred that: (a) Impact the level of a threat; or (b) Affect the accountant's conclusions about whether safeguards applied continue to be appropriate to address identified threats.	New application material
100.9	A professional accountant shall take qualitative as well as quantitative factors into account when evaluating the significance of a threat. When applying the conceptual framework, a professional accountant may encounter situations in which threats cannot be eliminated or reduced to an acceptable level, either because the threat is too significant or because appropriate safeguards are not available or cannot be applied. In such situations, the professional accountant shall	120.7 A1 The consideration of qualitative as well as quantitative factors is relevant to the professional accountant's evaluation of threats, as is the combined effect of multiple threats, if applicable. R120.10 If the professional accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable	New requirement and supporting application to clarify the various ways in which threat can be addressed. With the new position of the revised description safeguards, it is clearer that safeguards can only reduce threats to

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	<p>decline or discontinue the specific professional activity or service involved or, when necessary, resign from the engagement (in the case of a professional accountant in public practice) or the employing organization (in the case of a professional accountant in business).</p>	<p>level, the accountant shall address the threats by eliminating them or reducing them to an acceptable level. The accountant shall do so by:</p> <ul style="list-style-type: none"> (a) Eliminating the circumstances, including interests or relationships, that are creating the threats; (b) Applying safeguards, where available and capable of being applied; or (c) Declining or ending the specific professional activity. <p><i>Safeguards</i></p> <p>120.10 A1 Safeguards are actions, individually or in combination, that the professional accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.</p> <p><i>Actions to Eliminate Threats</i></p> <p>120.10 A2 There are some situations in which threats can only be addressed by declining or ending the specific professional activity. This is because the circumstances that created the threats cannot be eliminated and safeguards are not capable of being</p>	<p>an acceptable level and that threats can be eliminated.</p> <p>Paragraph 200.10 of the extant Code was also taken into account in developing the new requirement and supporting application material for addressing threats that are not at an acceptable level.</p>

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		applied to reduce the level of the threat to an acceptable level.	
		<p>R120.11 The professional accountant shall form an overall conclusion about whether the actions that the accountant takes, or intends to take to address the threats created will eliminate those threats or reduce them to an acceptable level. In forming the overall conclusion, the accountant shall:</p> <p>(a) Review any significant judgments made or conclusions reached; and</p> <p>(b) Use the reasonable and informed third party test.</p>	New requirement
100.10	Sections 290 and 291 contain provisions with which a professional accountant shall comply if the professional accountant identifies a breach of an independence provision of the Code. If a professional accountant identifies a breach of any other provision of this Code, the professional accountant shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall take whatever actions that may be available, as soon as possible, to satisfactorily address the consequences of the breach. The	<p>120.12 A1 Professional accountants in public practice are required to be independent when performing audits, reviews, or other assurance engagements. Independence is linked to the fundamental principles of objectivity and integrity. It comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby</p>	<p>The material in paragraph 120.12 A1 – 120.12 A2 is derived from the material in extant 100.10, 290.1, 290.6 and 290.7 and:</p> <ul style="list-style-type: none"> Emphasizes the topic of independence in the conceptual framework'

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	<p>accountant shall determine whether to report the breach, for example, to those who may have been affected by the breach, a member body, relevant regulator or oversight authority.</p>	<p>allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s or an audit or assurance team member’s integrity, objectivity or professional skepticism has been compromised.</p> <p>120.12 A2 Parts 4A and 4B of the Code comprise the International Independence Standards. Parts 4A and 4B set out requirements and application material on how to apply the conceptual framework to maintain independence when performing audits, reviews or other assurance engagements. Professional accountants and firms are required to comply with these standards in order to be independent, when conducting such engagements. The conceptual framework to identify, evaluate and address threats to compliance with</p>	<ul style="list-style-type: none"> • Clarifies that the conceptual framework should also be applied to identify, evaluate and address threats to independence. • Refers users of the Code to Parts 4A and 4B, the International Independence Standards.

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		the fundamental principles applies in the same way to compliance with independence requirements. The categories of threats to compliance with the fundamental principles described in paragraph 120.6 A3 are also the categories of threats to compliance with independence.	
100.11	When a professional accountant encounters unusual circumstances in which the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest, it is recommended that the professional accountant consult with a member body or the relevant regulator.	100.3 A2 A professional accountant might encounter unusual circumstances in which the accountant believes that the result of applying a specific requirement of the Code would be disproportionate or might not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional body or a regulator.	This material is moved up in the Code (now in Part 1) and forms part of a broader discussion of the applicability of the requirements and application material in the Code.
100.12	Threats may be created by a broad range of relationships and circumstances. When a relationship or circumstance creates a threat, such a threat could compromise, or could be perceived to compromise, a professional accountant's compliance with the fundamental principles. A circumstance or relationship may create more than one threat, and a threat may affect compliance with more than one fundamental principle. Threats fall into one or more of the following categories:	120.6 A2 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. It is not possible to define every situation that creates threats. In addition, the nature of engagements and work assignments might differ and, consequently, different types of threats might be created.	The first three sentences in paragraph 120.12 of the extant Code is also addressed in paragraph 120.1 of the restructured Code (see mapping for 100.6 above). The last two sentences in paragraph 100.12 of the extant Code is

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	<p>(a) Self-interest threat – the threat that a financial or other interest will inappropriately influence the professional accountant’s judgment or behavior;</p> <p>(b) Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made, or activity or service performed by the professional accountant, or by another individual within the professional accountant’s firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity or providing a current service;</p> <p>(c) Advocacy threat – the threat that a professional accountant will promote a client’s or employer’s position to the point that the professional accountant’s objectivity is compromised;</p> <p>(d) Familiarity threat – the threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work; and</p> <p>(e) Intimidation threat – the threat that a professional accountant will be deterred</p>	<p>120.6 A3 Threats to compliance with the fundamental principles fall into one or more of the following categories:</p> <p>(a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a professional accountant’s judgment or behavior;</p> <p>(b) Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant, or by another individual within the accountant’s firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity;</p> <p>(c) Advocacy threat – the threat that a professional accountant will promote a client’s or employer’s position to the point that the accountant’s objectivity is compromised;</p> <p>(d) Familiarity threat – the threat that due to a long or close</p>	<p>covered by 120.3 A1 (see mapping for 100.3 and above).</p>

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	<p>from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant.</p> <p>Parts B and C of this Code explain how these categories of threats may be created for professional accountants in public practice and professional accountants in business, respectively. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p>	<p>relationship with a client, or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work; and</p> <p>(e) Intimidation threat – the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.</p> <p>120.6 A4 A circumstance might create more than one threat, and a threat might affect compliance with more than one fundamental principle.</p>	
100.13	<p>Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level. They fall into two broad categories:</p> <p>(a) Safeguards created by the profession, legislation or regulation; and</p> <p>(b) Safeguards in the work environment.</p>	<p>120.7 A2 The existence of conditions, policies and procedures described in paragraph 120.6 A1 might also impact the accountant’s evaluation of the level of threats to compliance with the fundamental principles. Examples of such conditions, policies and procedures include:</p>	<p>The material in paragraphs 100.13, 100.14, 100.16, 200.7 A2, 200.11 and 200.12 have been streamlined.</p>
100.14	<p>Safeguards created by the profession, legislation or regulation include:</p> <ul style="list-style-type: none"> • Educational, training and experience requirements for entry into the profession 	<ul style="list-style-type: none"> • Corporate governance requirements. • Educational, training and experience requirements for the profession. 	

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	<ul style="list-style-type: none"> • Continuing professional development requirements • Corporate governance regulations • Professional standards • Professional or regulatory monitoring and disciplinary procedures • External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant 	<ul style="list-style-type: none"> • Effective complaint systems which enable the professional accountant and the general public to draw attention to unethical behavior. • An explicitly stated duty to report breaches of ethics requirements. • Professional or regulatory monitoring and disciplinary procedures. 	
100.15	Parts B and C of this Code discuss safeguards in the work environment for professional accountants in public practice and professional accountants in business, respectively.		Reference to the material in Part 2 and 3 (extant Parts C and B) of the restructured Code is in paragraph 120.3 A1 (see mapping for paragraph 100.3 above.
100.16	<p>Certain safeguards may increase the likelihood of identifying or deterring unethical behavior. Such safeguards, which may be created by the accounting profession, legislation, regulation, or an employing organization, include:</p> <ul style="list-style-type: none"> • Effective, well-publicized complaint systems operated by the employing organization, the profession or a regulator, which enable colleagues, employers and members of the public 	<p>120.6 A1 An understanding of the facts and circumstances</p> <p>Certain conditions, policies and procedures established by the profession, legislation, regulation, the firm, or the employing organization that can enhance the accountant acting ethically, might also impact the identification of threats to compliance with the fundamental principles.</p>	<p>The concept of “safeguards in the work environment” is withdrawn (see paragraph 120.6 A1 and the discussion of conditions, policies and procedures in the January 2017 Basis for Agreement in Principle</p>

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	<p>to draw attention to unprofessional or unethical behavior.</p> <ul style="list-style-type: none"> An explicitly stated duty to report breaches of ethical requirements 		for Phase 1 of the Safeguards project.
100.17	<p>A professional accountant may be faced with a conflict of interest when undertaking a professional activity. A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles. Such threats may be created when:</p> <ul style="list-style-type: none"> The professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or The interests of the professional accountant with respect to a particular matter and the interests of a party for whom the professional accountant undertakes a professional activity related to that matter are in conflict. 		The material from the extant Code relating to conflicts of interest previously included in extant Parts B and C of the Code is now included in Sections 210 and 310, Parts 1 and 2 of the proposed restructured Code.
100.18	<p>Parts B and C of this Code discuss conflicts of interest for professional accountants in public practice and professional accountants in business, respectively.</p>		Cross-reference paragraph no longer required because of roadmap paragraph 120.3 A1 (see mapping for paragraph 100.3).

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100.19	A professional accountant may be required to resolve a conflict in complying with the fundamental principles.	110.3 A1 A professional accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, on an anonymous basis if necessary, with: <ul style="list-style-type: none"> • Others within the firm or employing organization. • Those charged with governance. • A professional body. • A regulator. • Legal counsel. <p>However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary and unless prohibited by law, disassociate from the matter creating the conflict.</p>	Paragraphs 110.3 A1–110.3 A2 replace extant paragraphs 100.19–100.24.
100.20	When initiating either a formal or informal conflict resolution process, the following factors, either individually or together with other factors, may be relevant to the resolution process: <ol style="list-style-type: none"> (a) Relevant facts; (b) Ethical issues involved; (c) Fundamental principles related to the matter in question; (d) Established internal procedures; and (e) Alternative courses of action. <p>Having considered the relevant factors, a professional accountant shall determine the appropriate course of action, weighing the consequences of each possible course of action. If the matter remains unresolved, the professional accountant may wish to consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.</p>		
100.21	Where a matter involves a conflict with, or within, an organization, a professional accountant shall determine whether to consult	110.3 A2 The professional accountant is encouraged to document the substance of the issue, the details of	

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	with those charged with governance of the organization, such as the board of directors or the audit committee.	any discussions, the decisions made and the rationale for those decisions.	
100.22	It may be in the best interests of the professional accountant to document the substance of the issue, the details of any discussions held, and the decisions made concerning that issue.		
100.23	If a significant conflict cannot be resolved, a professional accountant may consider obtaining professional advice from the relevant professional body or from legal advisors. The professional accountant generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with the relevant professional body on an anonymous basis or with a legal advisor under the protection of legal privilege.		
100.24	If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant shall, unless prohibited by law, refuse to remain associated with the matter creating the conflict. The professional accountant shall determine whether, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign		

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	altogether from the engagement, the firm or the employing organization.		
100.25	When communicating with those charged with governance in accordance with the provisions of this Code, the professional accountant or firm shall determine, having regard to the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the professional accountant or firm communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, the professional accountant or firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.	<p>R300.9 When communicating with those charged with governance in accordance with the Code, a professional accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary.</p> <p>R200.8 When communicating with those charged with governance in accordance with the Code, a professional accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary.</p>	These paragraphs are included in both Parts 2 and 3.

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		<p>200.8 A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.</p>	
		<p>300.9 A1 In determining with whom to communicate, a professional accountant might consider:</p> <ul style="list-style-type: none"> (a) The nature and importance of the circumstances; and (b) The matter to be communicated. 	
		<p>200.8 A1 In determining with whom to communicate, a professional accountant might consider:</p> <ul style="list-style-type: none"> (a) The nature and importance of the circumstances; and (b) The matter to be communicated. 	
		<p>300.9 A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might</p>	

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		<p>also be necessary to ensure they are adequately informed.</p> <p>200.8 A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.</p>	
100.26 (NOCLAR)	<p>In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The professional accountant or firm shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the professional accountant or firm would otherwise communicate in their governance capacity.</p>	<p>R300.10 If a professional accountant communicates with individuals who have management responsibilities as well as governance responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.</p> <p>R200.9 If a professional accountant communicates with individuals who have management responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.</p>	<p>These paragraphs are included in both Parts 2 and 3.</p>

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		<p>300.10 A1 In some circumstances, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated to person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters do not need to be communicated again with those same person(s) in their governance role.</p> <p>200.9 A1 In some circumstances, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those persons also have governance responsibilities, the matters do not need to be communicated again with those same persons in their governance role.</p>	

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SECTION 111 Integrity			
110.1	<p>The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness.</p>	<p>R111.1 A professional accountant shall comply with the principle of integrity which requires an accountant to be straightforward and honest in all professional and business relationships.</p> <p>111.1 A1 Integrity implies fair dealing and truthfulness.</p>	
110.2	<p>A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:</p> <ul style="list-style-type: none"> (a) Contains a materially false or misleading statement; (b) Contains statements or information furnished recklessly; or (c) Omits or obscures information required to be included where such omission or obscurity would be misleading. <p>When a professional accountant becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information.</p>	<p>R111.2 A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:</p> <ul style="list-style-type: none"> (a) Contains a materially false or misleading statement; (b) Contains statements or information provided recklessly; or (c) Omits or obscures required information where such omission or obscurity would be misleading. <p>R111.3 When a professional accountant becomes aware of having been associated with information described in paragraph R111.2, the accountant shall take steps to be disassociated from that information.</p>	

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110.3	A professional accountant will be deemed not to be in breach of paragraph 110.2 if the professional accountant provides a modified report in respect of a matter contained in paragraph 110.2.	111.2 A1 If a professional accountant provides a modified report in respect of such a report, return, communication or other information, the accountant is not in breach of paragraph R111.2.	
SECTION 112 Objectivity			
120.1	The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.	R112.1 A professional accountant shall comply with the principle of objectivity which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.	
120.2	A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. A professional accountant shall not perform a professional activity or service if a circumstance or relationship biases or unduly influences the accountant's professional judgment with respect to that service.	R112.2 A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.	
SECTION 113 Professional Competence and Due Care			
130.1	The principle of professional competence and due care imposes the following obligations on all professional accountants: (a) To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; and	R113.1 A professional accountant shall comply with the principle of professional competence and due care which requires an accountant to: (a) Attain and maintain professional knowledge and skill at the level required to	Underlined text is included to be consistent with language in extant Code paragraph 100.5.

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	(b) To act diligently in accordance with applicable technical and professional standards when performing professional activities or providing professional services.	<p>ensure that a client or employing organization receives competent professional service, <u>based on current technical and professional standards and relevant legislation</u>; and</p> <p>(b) Act diligently and in accordance with applicable technical and professional standards.</p>	
130.2	<p>Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases:</p> <p>(a) Attainment of professional competence; and</p> <p>(b) Maintenance of professional competence.</p>	113.1 A1 Serving clients and employing organizations with professional competence requires the exercise of sound judgment in applying professional knowledge and skill when undertaking professional activities.	130.2(a) and (b) are covered in R113.1.
130.3	The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.	113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to	

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		perform competently within the professional environment.	
130.4	Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.	113.1 A3 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.	
130.5	A professional accountant shall take reasonable steps to ensure that those working under the professional accountant's authority in a professional capacity have appropriate training and supervision.	R113.2 In complying with the principle of professional competence and due care, a professional accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.	
130.6	Where appropriate, a professional accountant shall make clients, employers or other users of the accountant's professional services or activities aware of the limitations inherent in the services or activities.	R113.3 Where appropriate, a professional accountant shall make clients, employing organizations, or other users of the accountant's professional services or activities, aware of the limitations inherent in the services or activities.	
SECTION 114 Confidentiality			
140.1	The principle of confidentiality imposes an obligation on all professional accountants to refrain from: (a) Disclosing outside the firm or employing organization confidential information	R114.1 A professional accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired	

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	<p>acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and</p> <p>(b) Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.</p>	<p>as a result of professional and business relationships. An accountant shall: ...</p> <p>(d) Not disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organization without proper and specific authority, unless there is a legal or professional duty or right to disclose;</p> <p>(e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;</p>	
140.2	<p>A professional accountant shall maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.</p>	<p>R114.1An accountant shall:</p> <p>(a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or close family member;</p>	

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140.3	A professional accountant shall maintain confidentiality of information disclosed by a prospective client or employer.	(c) Maintain confidentiality of information disclosed by a prospective client or employing organization;	
140.4	A professional accountant shall maintain confidentiality of information within the firm or employing organization.	(b) Maintain confidentiality of information within the firm or employing organization;	
140.5	A professional accountant shall take reasonable steps to ensure that staff under the professional accountant's control and persons from whom advice and assistance is obtained respect the professional accountant's duty of confidentiality.	(g) Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance is obtained, respect the accountant's duty of confidentiality.	
140.6	The need to comply with the principle of confidentiality continues even after the end of relationships between a professional accountant and a client or employer. When a professional accountant changes employment or acquires a new client, the professional accountant is entitled to use prior experience. The professional accountant shall not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.	R114.1 ...An accountant shall: (f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after the business or personal relationship has ended; and...	
		R114.2 A professional accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organization. When changing	

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		employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship.	
140.7	<p>As a fundamental principle, confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing organization to the professional accountant. Nevertheless, the following are circumstances where professional accountants are or may be required to disclose confidential information or when such disclosure may be appropriate:</p> <p>(a) Disclosure is permitted by law and is authorized by the client or the employer;</p> <p>(b) Disclosure is required by law, for example:</p> <p style="padding-left: 20px;">(i) Production of documents or other provision of evidence in the course of legal proceedings; or</p> <p style="padding-left: 20px;">(ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and</p> <p>(c) There is a professional duty or right to disclose, when not prohibited by law:</p>	<p>114.2 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing organization to the accountant in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances when professional accountants are or might be required to disclose confidential information or when such disclosure might be appropriate:</p> <p>(a) Disclosure is required by law, for example:</p> <p style="padding-left: 20px;">(i) Production of documents or other provision of evidence in the course of legal proceedings; or</p> <p style="padding-left: 20px;">(ii) Disclosure to the appropriate public authorities of infringements of the law that come to light;</p>	

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	<ul style="list-style-type: none"> (i) To comply with the quality review of a member body or professional body; (ii) To respond to an inquiry or investigation by a member body or regulatory body; (iii) To protect the professional interests of a professional accountant in legal proceedings; or (iv) To comply with technical and professional standards, including ethical requirements. 		<ul style="list-style-type: none"> (b) Disclosure is permitted by law and is authorized by the client or the employing organization; and (c) There is a professional duty or right to disclose, when not prohibited by law: <ul style="list-style-type: none"> (i) To comply with the quality review of a professional body; (ii) To respond to an inquiry or investigation by a professional or regulatory body; (iii) To protect the professional interests of an accountant in legal proceedings; or (iv) To comply with technical and professional standards, including ethics requirements. 	
140.8	<p>In deciding whether to disclose confidential information, relevant factors to consider include:</p> <ul style="list-style-type: none"> • Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the 	114.2 A2	<p>In deciding whether to disclose confidential information factors to consider, depending on the circumstances, include:</p> <ul style="list-style-type: none"> • Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the 	<p>The requirement to apply professional judgment (in the underlined text) is in paragraph R120.5 of the restructured Code (see mapping to</p>

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	<p>professional accountant.</p> <ul style="list-style-type: none"> • Whether all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, <u>professional judgment shall be used in determining the type of disclosure to be made</u>, if any. • The type of communication that is expected and to whom it is addressed. • Whether the parties to whom the communication is addressed are appropriate recipients. 	<p>client or employer consents to the disclosure of information by the professional accountant.</p> <ul style="list-style-type: none"> • Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include: <ul style="list-style-type: none"> ○ Unsubstantiated facts. ○ Incomplete information. ○ Unsubstantiated conclusions. • The proposed type of communication, and to whom it is addressed. • Whether the parties to whom the communication is addressed are appropriate recipients. 	<p>paragraphs 100.2 and 100.7 above).</p>
SECTION 115 Professional Behavior			
150.1	<p>The principle of professional behavior imposes an obligation on all professional accountants to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know may discredit the profession. This includes conduct that a reasonable and informed third party, weighing all the specific facts and circumstances available to the</p>	<p>R115.1 A professional accountant shall comply with the principle of professional behaviour, which requires an accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession. A professional accountant shall not</p>	

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	professional accountant at that time, would be likely to conclude adversely affects the good reputation of the profession.	<p>knowingly engage in any business, occupation or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.</p> <p>115.1 A1 Conduct that might discredit the profession includes actions that a reasonable and informed third party would be likely to conclude adversely affect the good reputation of the profession.</p>	
150.2	<p>In marketing and promoting themselves and their work, professional accountants shall not bring the profession into disrepute. Professional accountants shall be honest and truthful and not:</p> <p>(a) Make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or</p> <p>(b) Make disparaging references or unsubstantiated comparisons to the work of others.</p>	<p>R115.2 When undertaking marketing or promotional activities, a professional accountant shall not bring the profession into disrepute. A professional accountant shall be honest and truthful and shall not make:</p> <p>(a) Exaggerated claims for the services offered by, or the qualifications or experience of, the accountant; or</p> <p>(b) Disparaging references or unsubstantiated comparisons to the work of others.</p> <p>115.2 A1 If a professional accountant is in doubt about whether a form of advertising or marketing is</p>	

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		appropriate, the accountant is encouraged to consult with the relevant professional body.	
PART 3 – Professional Accountants in Public Practice			
SECTION 300 Applying the Conceptual Framework – Professional Accountants in Public Practice			
200.1	This Part of the Code describes how the conceptual framework contained in Part A applies in certain situations to professional accountants in public practice. This Part does not describe all of the circumstances and relationships that could be encountered by a professional accountant in public practice that create or may create threats to compliance with the fundamental principles. Therefore, the professional accountant in public practice is encouraged to be alert for such circumstances and relationships.	300.1 This Part of the Code describes requirements and application material for professional accountants in public practice when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships, that could be encountered by professional accountants in public practice, which create or might create threats to compliance with the fundamental principles. Therefore, professional accountants in public practice are required to be alert for such facts and circumstances.	The importance of professional accountants “remaining alert” is also addressed in the new application material in paragraph 120. 9 A1 of the restructured Code.
		300.2 The requirements and application material that apply to professional accountants in public practice are set out as follows: <ul style="list-style-type: none"> • Part 3 – <i>Professional Accountants in Public Practice</i>, 	New material derived from 100.3, 100.15, 290.1 to help readers better navigate the restructured Code.

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		<p>Sections 300 to 399, applies to all professional accountants in public practice, whether they provide assurance services or not.</p> <ul style="list-style-type: none"> • <i>International Independence Standards</i> as follows: <ul style="list-style-type: none"> (i) Part 4A – <i>Independence for Audits and Reviews</i>, Sections 400 to 899, applies to professional accountants in public practice when performing audit and review engagements. (ii) Part 4B – <i>Independence for Other Assurance Engagements</i>, Sections 900 to 999, applies to professional accountants in public practice when performing assurance engagements other than audit and review engagements. 	
		<p>300.3 In this Part, the term “professional accountant” refers to professional accountants in public practice and their firms.</p>	New paragraph

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200.2	A professional accountant in public practice shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.	R115.1 A professional accountant shall comply with the principle of professional behavior which requires an accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession. A professional accountant shall not knowingly engage in any business, occupation or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.	
		R300.4 A professional accountant shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.	New explicit overarching requirement for professional accountants in public practice to apply the requirements and application material in the conceptual framework.
200.3	<i>Threats and Safeguards</i> Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances and relationships.	300.6 A1 Compliance with the fundamental principles might be threatened by a broad range of facts and circumstances. The categories of	Derived from material in paragraphs 200.1, 200.2, 200.4, 200.6,

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	<p>The nature and significance of the threats may differ depending on whether they arise in relation to the provision of services to an audit client and whether the audit client is a public interest entity, to an assurance client that is not an audit client, or to a non-assurance client.</p> <p>Threats fall into one or more of the following categories:</p> <ul style="list-style-type: none"> (a) Self-interest; (b) Self-review; (c) Advocacy; (d) Familiarity; and (e) Intimidation. <p>These threats are discussed further in Part A of this Code.</p>	<p>threats are described in paragraph 120.5 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a professional accountant when undertaking a professional service:</p> <p>(a) Self-interest Threats</p> <ul style="list-style-type: none"> • A professional accountant having a direct financial interest in a client. • A professional accountant quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price. • A professional accountant having a close business relationship with a client. 	<p>200.7, 200.8 of the extant Code.</p> <p>The examples of facts and circumstances that might create each of category of threat (was included in paragraphs 200.3–200.8 of the extant Code) is revised and streamlined.</p> <p>The material in the second sentence of the extant Code is used to develop new application material for evaluating threats (see below).</p>
200.4	<p>Examples of circumstances that create self-interest threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • A member of the assurance team having a direct financial interest in the assurance client. • A firm having undue dependence on total fees from a client. • A member of the assurance team having a significant close business relationship with an assurance client. 		

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<ul style="list-style-type: none"> • A firm being concerned about the possibility of losing a significant client. • A member of the audit team entering into employment negotiations with the audit client. • A firm entering into a contingent fee arrangement relating to an assurance engagement. • A professional accountant discovering a significant error when evaluating the results of a previous professional service performed by a member of the professional accountant's firm. 	<ul style="list-style-type: none"> • A professional accountant having access to confidential information that might be used for personal gain. • A professional accountant discovering a significant error when evaluating the results of a previous professional service performed by a member of the accountant's firm. 	
<p>200.5</p> <p>Examples of circumstances that create self-review threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • A firm issuing an assurance report on the effectiveness of the operation of financial systems after designing or implementing the systems. • A firm having prepared the original data used to generate records that are the subject matter of the assurance engagement. • A member of the assurance team being, or having recently been, a director or officer of the client. 	<p>(b) Self-review Threats</p> <ul style="list-style-type: none"> • A professional accountant issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems. • A professional accountant having prepared the original data used to generate records that are the subject 	

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	<ul style="list-style-type: none"> • A member of the assurance team being, or having recently been, employed by the client in a position to exert significant influence over the subject matter of the engagement. • The firm performing a service for an assurance client that directly affects the subject matter information of the assurance engagement. 	<p style="text-align: right;">matter of the assurance engagement.</p> <p>(c) Advocacy Threats</p> <ul style="list-style-type: none"> • A professional accountant promoting the interests of, or shares in, a client. • A professional accountant acting as an advocate on behalf of a client in litigation or disputes with third parties • A professional accountant lobbying in favor of legislation on behalf of a client. <p>(d) Familiarity Threats</p> <ul style="list-style-type: none"> • A professional accountant having a close or immediate family member who is a director or officer of the client. • A director or officer of the client, or an employee in a position to exert significant influence over the subject matter of the 	
200.6	<p>Examples of circumstances that create advocacy threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • The firm promoting shares in an audit client. • A professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties. 		
200.7	<p>Examples of circumstances that create familiarity threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • A member of the engagement team having a close or immediate family member who is a director or officer of the client. • A member of the engagement team having a close or immediate family member who is an employee of the 		

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	<p>client who is in a position to exert significant influence over the subject matter of the engagement.</p> <ul style="list-style-type: none"> • A director or officer of the client or an employee in a position to exert significant influence over the subject matter of the engagement having recently served as the engagement partner. • A professional accountant accepting gifts or preferential treatment from a client, unless the value is trivial or inconsequential. • Senior personnel having a long association with the assurance client. 	<p>engagement, having recently served as the engagement partner.</p> <ul style="list-style-type: none"> • An audit team member having a long association with the audit client. <p>(e) Intimidation Threats</p> <ul style="list-style-type: none"> • A professional accountant being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter. • A professional accountant feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question. • A professional accountant being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment. 	
200.8	<p>Examples of circumstances that create intimidation threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • A firm being threatened with dismissal from a client engagement. • An audit client indicating that it will not award a planned non-assurance contract to the firm if the firm continues to disagree with the client's accounting treatment for a particular transaction. • A firm being threatened with litigation by the client. 		

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	<ul style="list-style-type: none"> • A firm being pressured to reduce inappropriately the extent of work performed in order to reduce fees. • A professional accountant feeling pressured to agree with the judgment of a client employee because the employee has more expertise on the matter in question. • A professional accountant being informed by a partner of the firm that a planned promotion will not occur unless the accountant agrees with an audit client's inappropriate accounting treatment 	<ul style="list-style-type: none"> • A professional accountant having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public. 	
200.9	<p>Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:</p> <p>(a) Safeguards created by the profession, legislation or regulation; and</p> <p>(b) Safeguards in the work environment.</p> <p>Examples of safeguards created by the profession, legislation or regulation are described in paragraph 100.14 of Part A of this Code.</p>		Safeguards created by the profession, legislation or regulation, and safeguards in the work environment no longer meet the revised description of safeguards in 120.10 A1.
200.10	A professional accountant in public practice shall exercise judgment to determine how best to deal with threats that are not at an acceptable level, whether by applying safeguards to eliminate the threat or reduce it	300.7 A2 The professional accountant's evaluation of the level of a threat is also impacted by the nature and scope of the professional service.	This requirement covered by the overarching requirement in R300.4 for professional

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	to an acceptable level or by terminating or declining the relevant engagement. In exercising this judgment, a professional accountant in public practice shall consider whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of safeguards, such that compliance with the fundamental principles is not compromised. This consideration will be affected by matters such as the significance of the threat, the nature of the engagement and the structure of the firm.		accountants in public practice to apply the requirements in Section 120 and is therefore not repeated in Section 300. In this case, the specific requirements are paragraphs. The last sentence in paragraph 200.10 is covered by shown in the restructured Code column to the right.
200.11	In the work environment, the relevant safeguards will vary depending on the circumstances. Work environment safeguards comprise firm-wide safeguards and engagement-specific safeguards.		This material is withdrawn. A revised description of safeguards is included in paragraph 120.10 A1.
200.12	Examples of firm-wide safeguards in the work environment include: <ul style="list-style-type: none"> • Leadership of the firm that stresses the importance of compliance with the fundamental principles. • Leadership of the firm that establishes the expectation that members of an 	300.7 A5 A professional accountant's evaluation of the level of a threat might be impacted by the work environment within a firm and its operating environment. For example: <ul style="list-style-type: none"> • Leadership of the firm that promotes compliance with the 	Firm-wide safeguards no longer meet the revised description of safeguards. Under the restructured Code, the matters in this list are summarized and streamlined as

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	<p>assurance team will act in the public interest.</p> <ul style="list-style-type: none"> • Policies and procedures to implement and monitor quality control of engagements. • Documented policies regarding the need to identify threats to compliance with the fundamental principles, evaluate the significance of those threats, and apply safeguards to eliminate or reduce the threats to an acceptable level or, when appropriate safeguards are not available or cannot be applied, terminate or decline the relevant engagement. • Documented internal policies and procedures requiring compliance with the fundamental principles. • Policies and procedures that will enable the identification of interests or relationships between the firm or members of engagement teams and clients. • Policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single client. • Using different partners and engagement teams with separate reporting lines for the provision of non- 	<p>fundamental principles and establishes the expectation that assurance team members will act in the public interest.</p> <ul style="list-style-type: none"> • Policies or procedures for establishing and monitoring compliance with the fundamental principles by all personnel. • Compensation, performance appraisal and disciplinary policies and procedures that promote compliance with the fundamental principles. • Management of the reliance on revenue received from a single client. • The engagement partner having authority within the firm for decisions concerning compliance with the fundamental principles, including decisions about accepting or providing services to a client. • Educational, training and experience requirements. 	<p>examples of conditions, policies and procedures that might impact the professional accountant's evaluation of the level of a threat. They may also assist in identifying threats (see also paragraphs 120.6 A1, and 120.7 A2).</p>

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<p>assurance services to an assurance client.</p> <ul style="list-style-type: none"> • Policies and procedures to prohibit individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement. • Timely communication of a firm's policies and procedures, including any changes to them, to all partners and professional staff, and appropriate training and education on such policies and procedures. • Designating a member of senior management to be responsible for overseeing the adequate functioning of the firm's quality control system. • Advising partners and professional staff of assurance clients and related entities from which independence is required. • A disciplinary mechanism to promote compliance with policies and procedures. • Published policies and procedures to encourage and empower staff to communicate to senior levels within the firm any issue relating to compliance with the fundamental principles that concerns them. 	<ul style="list-style-type: none"> • Processes to facilitate and address internal and external concerns or complaints. 	

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		<p>300.7 A1 Conditions, policies and procedures as described in 120.6 A1 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level. Such conditions, policies and procedures might relate to:</p> <ul style="list-style-type: none"> (a) The client and its operating environment; and (b) The firm and its operating environment. 	<p>New paragraph derived from material in the last sentence of paragraphs 200.10 and 200.11 of the extant Code.</p>
		<p>300.7 A3 The professional accountant's evaluation of the level of a threat might be impacted by whether the client is:</p> <ul style="list-style-type: none"> (a) An audit client and whether the audit client is a public interest entity; (b) An assurance client that is not an audit client; or (c) A non-assurance client. <p>For example, providing a non-assurance service to an audit client that is a public interest entity, might be perceived to result in a higher level of threat to compliance with the</p>	<p>New paragraph derived from material in the last sentence of paragraphs 200.3 and 200.11 of the extant Code.</p>

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		principle of objectivity with respect to the audit.	
		<p>300.7 A6 New information or changes in facts and circumstances might:</p> <p>(a) Impact the level of a threat; or</p> <p>(b) Affect the professional accountant's conclusions about whether safeguards applied continue to address identified threats as intended.</p> <p>In these situations, actions that were already implemented as safeguards might no longer be effective in addressing threats. Accordingly, the application of the conceptual framework requires that the professional accountant re-evaluate and address the threats accordingly (Ref: Paras. R120.9 and R120.10).</p> <p>300.7 A7 Examples of new information or changes in facts and circumstances that might impact the level of a threat include:</p> <ul style="list-style-type: none"> • When the scope of a professional service is expanded. 	<p>New paragraph with application material that is specific to public accountants in public practice when considering new information or changes in facts and circumstances (see also paragraphs R120.9–120.9 A2 of the restructured Code).</p>

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		<ul style="list-style-type: none"> • When the client becomes a listed entity or acquires another business unit. • When the firm merges with another firm. • When the professional accountant is jointly engaged by two clients and a dispute emerges between the two clients. • When there is a change in the professional accountant's personal or immediate family relationships. 	
200.13	<p>Examples of engagement-specific safeguards in the work environment include:</p> <ul style="list-style-type: none"> • Having a professional accountant who was not involved with the non-assurance service review the non-assurance work performed or otherwise advise as necessary. • Having a professional accountant who was not a member of the assurance team review the assurance work performed or otherwise advise as necessary. • Consulting an independent third party, such as a committee of independent 	<p>300.8 A1 Section 120 sets out requirements and application material for addressing threats. Safeguards vary depending on the facts and circumstances. Examples of actions that in certain circumstances might be safeguards to address threats include:</p> <ul style="list-style-type: none"> • Assigning additional time and qualified personnel to required tasks when an engagement has been accepted might address a self-interest threat. 	Improved examples of safeguards with linkage to specific threats

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	<p>directors, a professional regulatory body or another professional accountant.</p> <ul style="list-style-type: none"> • Discussing ethical issues with those charged with governance of the client. • Disclosing to those charged with governance of the client the nature of services provided and extent of fees charged. • Involving another firm to perform or re-perform part of the engagement. • Rotating senior assurance team personnel. 	<ul style="list-style-type: none"> • Having a professional accountant who was not a member of the team review the work performed or advise as necessary might address self-review threats. • Using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to an assurance client might address self-review and familiarity threats. • Involving another firm to perform or re-perform part of the engagement might address self-interest, self-review, advocacy or familiarity threats. • Disclosing to clients any referral fees or commission arrangements received for recommending services or products might address self-interest and advocacy threats. • Separation of teams when dealing with matters of a confidential nature might address self-interest threats. 	

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200.14	Depending on the nature of the engagement, a professional accountant in public practice may also be able to rely on safeguards that the client has implemented. However it is not possible to rely solely on such safeguards to reduce threats to an acceptable level.	300.7 A4 The corporate governance structure, including the leadership of a client might promote compliance with the fundamental principles. Accordingly, a professional accountant's evaluation of the level of a threat might also be impacted by a client's operating environment. For example:	"Safeguards that the client has implemented" no longer meet the revised description of safeguards. Under the restructured Code, the matters in paragraph 200.15 of the extant Code has been refined and summarized and area specific examples of conditions, policies and procedures that might impact the professional accountant's evaluation of the level of a threat. They may also assist in identifying threats (see also paragraphs 120.6 A1, and 120.7 A2).
200.15	<p>Examples of safeguards within the client's systems and procedures include:</p> <ul style="list-style-type: none"> • The client requires persons other than management to ratify or approve the appointment of a firm to perform an engagement. • The client has competent employees with experience and seniority to make managerial decisions. • The client has implemented internal procedures that ensure objective choices in commissioning non-assurance engagements. • The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services. 	<ul style="list-style-type: none"> • The client requires appropriate persons other than management to ratify or approve the appointment of a firm to perform an engagement. • The client has competent employees with experience and seniority to make managerial decisions. • The client has implemented internal procedures that facilitate objective choices in tendering non-assurance engagements. • The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services 	

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SECTION 320 Professional Appointments				
210.1 NOCLAR	<p>Before accepting a new client relationship, a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behavior may be created from, for example, issues associated with the client (its owners, management or activities) that, if known, could threaten compliance with the fundamental principles. These include, for example, client involvement in illegal activities (such as money laundering), dishonesty, questionable financial reporting practices or other unethical behavior.</p>	320.2	<p>The acceptance of a new client or engagement or changes in circumstances in an existing engagement might create self-interest threats.</p>	
		320.4 A1	<p>In some circumstances, acceptance of a new client relationship might create threats to compliance with the principles of integrity or professional behavior. This might arise, for example, from questionable issues associated with the client (its owners, management or activities). Issues that, if known, might create such threats include client involvement in illegal activities, dishonesty, questionable financial reporting practices or other unethical behavior.</p>	
210.2	<p><u>A professional accountant in public practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an acceptable level.</u></p>	320.1	<p>Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.</p>	<p>New introductory material.</p> <p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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		320.3 Section 320 sets out specific requirements and application material relevant to applying the conceptual framework to professional appointments.	New introductory material.
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Obtaining knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities; or • Securing the client’s commitment to address the questionable issues, for example, through improving corporate governance practices or internal controls. 	<p>320.4 A2 Factors that are relevant in evaluating the level of any threat created by accepting a new client include:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the client, its owners, management and those charged with governance and business activities. • The client’s commitment to address the questionable issues, for example, through improving corporate governance practices or internal controls. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
210.3	Where it is not possible to reduce the threats to an acceptable level, the professional accountant in public practice shall decline to enter into the client relationship.		Material is covered by the by paragraphs R120.10–120.10 A2 of the agreed-in-principle text.
210.4	Potential threats to compliance with the fundamental principles may have been created after acceptance that would have caused the professional accountant to decline the engagement had that information been	320.11 A1 Potential threats to compliance with the fundamental principles might be created after acceptance which, if they were known earlier, would have caused the professional accountant	

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	available earlier. A professional accountant in public practice shall, therefore, periodically review whether to continue with a recurring client engagement. For example, a threat to compliance with the fundamental principles may be created by a client's unethical behavior such as improper earnings management or balance sheet valuations. If a professional accountant in public practice identifies a threat to compliance with the fundamental principles, the professional accountant shall evaluate the significance of the threats and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level. Where it is not possible to reduce the threat to an acceptable level, the professional accountant in public practice shall consider terminating the client relationship where termination is not prohibited by law or regulation.	<p>to decline the engagement. For example, such a threat might be created by improper earnings management or balance sheet valuations.</p> <p>R320.11 For a recurring client engagement, a professional accountant shall periodically review whether to continue with the engagement.</p>	
210.5	The fundamental principle of professional competence and due care imposes an obligation on a professional accountant in public practice to provide only those services that the professional accountant in public practice is competent to perform. Before accepting a specific client engagement, a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the	320.5 A1 A self-interest threat to compliance with the principle of professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services.	

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	fundamental principles. For example, a self-interest threat to professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement.		
210.6	A professional accountant in public practice shall evaluate the significance of threats and apply safeguards, when necessary, to eliminate them or reduce them to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Acquiring an appropriate understanding of the nature of the client's business, the complexity of its operations, the specific requirements of the engagement and the purpose, nature and scope of the work to be performed; • Acquiring knowledge of relevant industries or subject matters; • Possessing or obtaining experience with relevant regulatory or reporting requirements; • Assigning sufficient staff with the necessary competencies; • Using experts where necessary; 	<p>320.5 A2 Factors that are relevant in evaluating the level of any threat created by accepting a new engagement include:</p> <ul style="list-style-type: none"> • An appropriate understanding of: <ul style="list-style-type: none"> ○ The nature of the client's business; ○ The complexity of its operations; ○ The requirements of the engagement; and ○ The purpose, nature and scope of the work to be performed. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<ul style="list-style-type: none"> • Agreeing on a realistic time frame for the performance of the engagement; or • Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently. 	<ul style="list-style-type: none"> • Knowledge of relevant industries or subject matters. • Experience with relevant regulatory or reporting requirements. • The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently. 	
		<p>320.5 A3 Examples of actions that might be safeguards to address threats created by accepting a new engagement include:</p> <ul style="list-style-type: none"> • Assigning sufficient engagement personnel with the necessary competencies. • Agreeing on a realistic time frame for the performance of the engagement. • Using experts where necessary. 	
210.7	When a professional accountant in public practice intends to rely on the advice or work of an expert, the professional accountant in public practice shall determine whether such reliance is warranted.	R320.12 When a professional accountant intends to use the work of an expert, the accountant shall determine whether the use is warranted.	“Rely” in extant Code replaced with “use” to conform to ISA 620 wording.

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	Factors to consider include: reputation, expertise, resources available and applicable professional and ethical standards. Such information may be gained from prior association with the expert or from consulting others.	320.12 A1 Factors to consider when a professional accountant intends to use the work of an expert include the reputation and expertise of the expert, the resources available to the expert, and the professional and ethics standards applicable to the expert. This information might be gained from prior association with the expert or from consulting others.	
210.8	A professional accountant in public practice who is asked to replace another professional accountant in public practice, or who is considering tendering for an engagement currently held by another professional accountant in public practice, shall determine whether ...	R320.6 A professional accountant shall determine whether there are any reasons for not accepting an engagement when the accountant: <ul style="list-style-type: none"> (a) Is asked by a potential client to replace another accountant; (b) Considers tendering for an engagement held by another accountant; or (c) <u>Considers undertaking work that is complementary or additional to that of another accountant.</u> 	Underlined additional text is derived from extant paragraphs 210.11–210.12 as amended by the NOCLAR provisions.
	... there are any reasons, professional or otherwise, for not accepting the engagement, such as circumstances that create threats to compliance with the fundamental principles that cannot be eliminated or reduced to an acceptable level by the application of	320.6 A1 There might be reasons for not accepting an engagement. One such reason might be if the facts and circumstances that create the threats cannot be addressed by applying safeguards. For example, there might	

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	safeguards. For example, there may be a threat to professional competence and due care if a professional accountant in public practice accepts the engagement before knowing all the pertinent facts.	be a threat to compliance with the principle of professional competence and due care if a professional accountant accepts the engagement before knowing all the relevant facts.	
210.9	A professional accountant in public practice shall evaluate the significance of any threats. Safeguards shall be applied when necessary to eliminate any threats or reduce them to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text.
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • When replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the existing or predecessor accountant will be requested so that inquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted; • Asking the predecessor existing accountant to provide known information on any facts or circumstances that, in the predecessor accountant's opinion, the proposed successor accountant needs to be aware of before deciding whether to accept the engagement. For example, 	<p>320.6 A3 A factor that is relevant in evaluating the level of any threats created by changes in appointments is whether tenders state that, before accepting the engagement, contact with the existing or predecessor accountant will be requested. This contact gives the proposed accountant the opportunity to inquire whether there are any reasons why the engagement should not be accepted.</p> <p>320.6 A4 Examples of actions that might be safeguards to address threats created by changes in professional appointments include:</p> <ul style="list-style-type: none"> • Asking the existing or predecessor accountant to provide any known information 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<p>the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with the predecessor accountant that may influence the decision to accept the appointment; or</p> <ul style="list-style-type: none"> • Obtaining necessary information from other sources. 	<p>of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. For example, the apparent reasons for the change in appointment might not fully reflect the facts and might indicate disagreements with the existing or predecessor accountant that might influence the decision to accept the appointment.</p> <ul style="list-style-type: none"> • Obtaining information from other sources such as through inquiries of third parties or background investigations regarding senior management or those charged with governance of the client. <p>320.6 A2 If a professional accountant is asked to undertake work that is complementary or additional to the work of an existing accountant, threats to compliance with the principle of professional competence and due care might be created, for example, as a result of incomplete information.</p>	

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210.10	When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in public practice shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
210.11	A professional accountant in public practice may be asked to undertake work that is complementary or additional to the work of the existing accountant. Such circumstances may create threats to professional competence and due care resulting from, for example, a lack of or incomplete information. The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is notifying the existing accountant of the proposed work, which would give the existing accountant the opportunity to provide any relevant information needed for the proper conduct of the work.	R320.6 A professional accountant shall determine whether there are any reasons for not accepting an engagement when the accountant: ... (c) Considers undertaking work that is complementary or additional to that of another accountant.	
		320.6 A4 ... Asking the existing or predecessor accountant to provide any known information of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. For example, the apparent reasons for the change in appointment might not fully reflect the facts and might indicate disagreements with the existing or predecessor accountant that might influence the decision to accept the appointment.	

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210.12	An existing or predecessor accountant is bound by confidentiality. Whether that professional accountant is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and on: <ul style="list-style-type: none"> (a) Whether the client's permission to do so has been obtained; or (b) The legal or ethical requirements relating to such communications and disclosure, which may vary by jurisdiction. 	320.9 A1 An existing or predecessor accountant is bound by confidentiality. Whether the existing or predecessor accountant is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and: <ul style="list-style-type: none"> (a) Whether the existing or predecessor accountant has permission from the client for the discussion; and (b) The legal and ethical requirements relating to such communications and disclosure, which might vary by jurisdiction. 	
	Circumstances where the professional accountant is or may be required to disclose confidential information or where such disclosure may otherwise be appropriate are set out in Section 140 of Part A of this Code.	320.9 A2 Circumstances where a professional accountant is or might be required to disclose confidential information, or when disclosure might be appropriate, are set out in paragraph 114.2 A1 of the Code.	
210.13	A professional accountant in public practice will generally need to obtain the client's permission, preferably in writing, to initiate discussion with an existing or predecessor accountant. Once that permission is obtained,	320.7 A1 A proposed accountant will usually need the client's permission, preferably in writing, to initiate discussions with the existing or predecessor accountant.	

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	the existing or predecessor accountant shall comply with relevant laws and regulations governing such requests. Where the existing or predecessor accountant provides information, it shall be provided honestly and unambiguously. If the proposed accountant is unable to communicate with the existing or predecessor accountant, the proposed accountant shall take reasonable steps to obtain information about any possible threats by other means, such as through inquiries of third parties or background investigations of senior management or those charged with governance of the client.	<p>R320.9 When an existing or predecessor accountant is asked to respond to a communication from a proposed accountant, the existing or predecessor accountant shall:</p> <p>(a) Comply with relevant laws and regulations governing the request; and</p> <p>(b) Provide any information honestly and unambiguously.</p>	
		<p>R320.8 If unable to communicate with the existing or predecessor accountant, the proposed accountant shall take other reasonable steps to obtain information about any possible threats.</p>	
210.14	In the case of an audit of financial statements, a professional accountant shall request the predecessor accountant to provide known information regarding any facts or other information that, in the predecessor accountant's opinion, the proposed successor accountant needs to be aware of before deciding whether to accept the engagement. Except for the circumstances involving identified or suspected non-compliance with laws and regulations set out in paragraph 225.31:	<p>R320.10 In the case of an audit or review of financial statements, a professional accountant shall request the existing or predecessor accountant to provide known information regarding any facts or other information of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. Except for the circumstances involving identified or suspected non-compliance with laws</p>	

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	<p>(a) If the client consents to the predecessor accountant disclosing any such facts or other information, the predecessor accountant shall provide the information honestly and unambiguously; and</p> <p>(b) If the client fails or refuses to grant the predecessor accountant permission to discuss the client's affairs with the proposed successor accountant, the predecessor accountant shall disclose this fact to the proposed successor accountant, who shall carefully consider such failure or refusal when determining whether or not to accept the appointment.</p>	<p>and regulations set out in paragraphs R360.21 and R360.22:</p> <p>(a) If the client consents to the existing or predecessor accountant disclosing any such facts or other information, the existing or predecessor accountant shall provide the information honestly and unambiguously; and</p> <p>(b) If the client fails or refuses to grant the existing or predecessor accountant permission to discuss the client's affairs with the proposed accountant, the existing or predecessor accountant shall disclose this fact to the proposed accountant, who shall carefully consider such failure or refusal when determining whether to accept the appointment.</p>	
SECTION 210 Conflict of Interest			
		<p>310.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in</p>	<p>New introductory material.</p>

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		Section 120 to identify, evaluate and address threats.	
220.1	<p>A professional accountant in public practice may be faced with a conflict of interest when performing a professional service. A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles.</p> <p>Such threats may be created when:</p> <ul style="list-style-type: none"> • The professional accountant provides a professional service related to a particular matter for two or more clients whose interests with respect to that matter are in conflict; or • The interests of the professional accountant with respect to a particular matter and the interests of the client for whom the professional accountant provides a professional service related to that matter are in conflict. 	<p>310.2 A conflict of interest creates a threat to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:</p> <p>(a) A professional accountant provides a professional service related to a particular matter for two or more clients whose interests with respect to that matter are in conflict; or</p> <p>(b) The interests of a professional accountant with respect to a particular matter and the interests of the client for whom the accountant provides a professional service related to that matter are in conflict.</p>	
	<p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p>	<p>R310.4 A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p>	
	<p>When the professional service is an assurance service, compliance with the fundamental principle of objectivity also requires being independent of assurance</p>	<p>310.3 Section 310 sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest.</p>	<p>New introductory material.</p>

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	clients in accordance with Sections 290 or 291 as appropriate.	When a professional accountant provides an audit, review or other assurance service, independence is also required in accordance with <i>International Independence Standards</i> .	
220.2	<p>Examples of situations in which conflicts of interest may arise include:</p> <ul style="list-style-type: none"> • Providing a transaction advisory service to a client seeking to acquire an audit client of the firm, where the firm has obtained confidential information during the course of the audit that may be relevant to the transaction. • Advising two clients at the same time who are competing to acquire the same company where the advice might be relevant to the parties' competitive positions. • Providing services to both a vendor and a purchaser in relation to the same transaction. • Preparing valuations of assets for two parties who are in an adversarial position with respect to the assets. • Representing two clients regarding the same matter who are in a legal dispute with each other, such as during divorce 	<p>310.4 A1</p> <p>Examples of circumstances that might create a conflict of interest include:</p> <ul style="list-style-type: none"> • Providing a transaction advisory service to a client seeking to acquire an audit client, where the firm has obtained confidential information during the course of the audit that might be relevant to the transaction. • Providing advice to two clients at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties' competitive positions. • Providing services to a seller and a buyer in relation to the same transaction. • Preparing valuations of assets for two parties who are in an 	

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<p>proceedings or the dissolution of a partnership.</p> <ul style="list-style-type: none"> • Providing an assurance report for a licensor on royalties due under a license agreement when at the same time advising the licensee of the correctness of the amounts payable. • Advising a client to invest in a business in which, for example, the spouse of the professional accountant in public practice has a financial interest. • Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client. • Advising a client on the acquisition of a business which the firm is also interested in acquiring. • Advising a client on the purchase of a product or service while having a royalty or commission agreement with one of the potential vendors of that product or service. 	<p>adversarial position with respect to the assets.</p> <ul style="list-style-type: none"> • Representing two clients in the same matter who are in a legal dispute with each other, such as during divorce proceedings, or the dissolution of a partnership. • In relation to a license agreement, providing an assurance report for a licensor on the royalties due while advising the licensee on the amounts payable. • Advising a client to invest in a business in which, for example, the spouse of the professional accountant has a financial interest. • Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client. • Advising a client on acquiring a business which the firm is also interested in acquiring. • Advising a client on buying a product or service while having a royalty or commission 	

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		agreement with a potential seller of that product or service.	
220.3	When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing safeguards, when necessary, to eliminate or reduce any threat to compliance with the fundamental principles to an acceptable level, <u>a professional accountant in public practice shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that compliance with the fundamental principles is not compromised.</u>	R310.5 Before accepting a new client relationship, engagement, or business relationship, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. ...	Underlined text is Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
220.4	When addressing conflicts of interest, including making disclosures or sharing information within the firm or network and seeking guidance of third parties, the professional accountant in public practice shall remain alert to the fundamental principle of confidentiality.	R310.11 A professional accountant shall remain alert to the principle of confidentiality including when making disclosures or sharing information within the firm or network and seeking guidance of third parties. 310.11 A1 Subsection 114 sets out requirements and application material relevant to threats to compliance with the principle of confidentiality that might be created in such a situation.	
220.5	If the threat created by a conflict of interest is not at an acceptable level, the professional		Material is covered by the enhanced

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	<p>accountant in public practice shall apply safeguards to eliminate the threat or reduce it to an acceptable level. If safeguards cannot reduce the threat to an acceptable level, the professional accountant shall decline to perform or shall discontinue professional services that would result in the conflict of interest; or shall terminate relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.</p>		<p>conceptual framework set out in Section 120 of the agreed-in-principle text</p>
220.6	<p>Before accepting a new client relationship, engagement, or business relationship, a professional accountant in public practice shall take reasonable steps to identify circumstances that might create a conflict of interest, including identification of:</p> <ul style="list-style-type: none"> • The nature of the relevant interests and relationships between the parties involved; and • The nature of the service and its implication for relevant parties. 	<p>R310.5 Before accepting a new client relationship, engagement, or business relationship, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:</p> <ul style="list-style-type: none"> (a) The nature of the relevant interests and relationships between the parties involved; and (b) The service and its implication for relevant parties. 	
	<p>The nature of the services and the relevant interests and relationships may change during</p>	<p>310.6 A1 The nature of the services, interests and relationships might change</p>	

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	the course of the engagement. This is particularly true when a professional accountant is asked to conduct an engagement in a situation that may become adversarial, even though the parties who engage the professional accountant may not initially be involved in a dispute. The professional accountant shall remain alert to such changes for the purpose of identifying circumstances that might create a conflict of interest.	<p>during the engagement. This is particularly true when a professional accountant is asked to conduct an engagement in a situation that might become adversarial, even though the parties who engage the accountant initially might not be involved in a dispute.</p> <p>R310.6 A professional accountant shall remain alert to changes over time in the nature of services, interests and relationships that might create a conflict of interest during an engagement.</p>	
220.7	For the purpose of identifying interests and relationships that might create a conflict of interest, having an effective conflict identification process assists a professional accountant in public practice to identify actual or potential conflicts of interest prior to determining whether to accept an engagement and throughout an engagement. This includes matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the professional accountant being able to apply safeguards, when necessary, to eliminate the threat to objectivity and any threat to compliance with	310.5 A1 An effective conflict identification process assists a professional accountant when taking reasonable steps to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the engagement. Such a process includes considering matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the accountant being able to address	

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	other fundamental principles or reduce it to an acceptable level.		threats created by the conflict of interest.	
	<p>The process to identify actual or potential conflicts of interest will depend on such factors as:</p> <ul style="list-style-type: none"> • The nature of the professional services provided. • The size of the firm. • The size and nature of the client base. • The structure of the firm, for example, the number and geographic location of offices. 	<p>310.5 A2</p> <p>An effective process to identify actual or potential conflicts of interest will take into account factors such as:</p> <ul style="list-style-type: none"> • The nature of the professional services provided. • The size of the firm. • The size and nature of the client base. • The structure of the firm, for example, the number and geographic location of offices. <p>310.5 A3</p> <p>More information on client acceptance is set out in Section 320, <i>Professional Appointments</i>.</p>		
220.8	<p>If the firm is a member of a network, conflict identification shall include any conflicts of interest that the professional accountant in public practice has reason to believe may exist or might arise due to interests and relationships of a network firm.</p> <p>Reasonable steps to identify such interests and relationships involving a network firm will depend on factors such as the nature of the professional services provided, the clients served by the network and the geographic locations of all relevant parties.</p>	<p>R310.7</p> <p>If the firm is a member of a network, the professional accountant shall consider conflicts of interest that the accountant has reason to believe might exist or arise due to interests and relationships of a network firm.</p> <p>310.7 A1</p> <p>Factors to consider when identifying interests and relationships involving a network firm include:</p> <ul style="list-style-type: none"> • The nature of the professional services provided. • The clients served by the 		

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		<p style="text-align: center;">network.</p> <ul style="list-style-type: none"> • The geographic locations of all relevant parties. 	
220.9	<p>If a conflict of interest is identified, the professional accountant in public practice shall evaluate:</p> <ul style="list-style-type: none"> • The significance of relevant interests or relationships; and • The significance of the threats created by performing the professional service or services. 	<p>R310.5 ... a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:</p> <p>(a) The nature of the relevant interests and relationships between the parties involved; and</p> <p>(b) The service and its implication for relevant parties.</p>	
	<p>In general, the more direct the connection between the professional service and the matter on which the parties' interests are in conflict, the more significant the threat to objectivity and compliance with the other fundamental principles will be.</p>	<p>310.8 A1 In general, the more direct the connection between the professional service and the matter on which the parties' interests conflict, the more likely that the level of the threat is not at an acceptable level.</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
220.10	<p>The professional accountant in public practice shall apply safeguards, when necessary, to eliminate the threats to compliance with the fundamental principles created by the conflict of interest or reduce them to an acceptable level.</p>		<p>Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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<p>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Implementing mechanisms to prevent unauthorized disclosure of confidential information when performing professional services related to a particular matter for two or more clients whose interests with respect to that matter are in conflict. This could include: <ul style="list-style-type: none"> (i) Using separate engagement teams who are provided with clear policies and procedures on maintaining confidentiality. (ii) Creating separate areas of practice for specialty functions within the firm, which may act as a barrier to the passing of confidential client information from one practice area to another within a firm. (iii) Establishing policies and procedures to limit access to client files, the use of confidentiality agreements signed by employees and partners of the firm and/or the physical and electronic separation of confidential information. • Regular review of the application of safeguards by a senior individual not 	<p>310.8 A2 Factors that are relevant in evaluating the level of any threats created by conflicts of interest include measures that prevent unauthorized disclosure of confidential information, when performing professional services related to a particular matter for two or more clients whose interests with respect to that matter are in conflict, including:</p> <ul style="list-style-type: none"> • The existence of separate practice areas for specialty functions within the firm, which might act as a barrier to the passing of confidential client information between practice areas <ul style="list-style-type: none"> ○ Policies and procedures to limit access to client files. ○ Confidentiality agreements signed by personnel and partners of the firm. ○ Separating confidential information physically and electronically. <p>310.8 A3 Examples of actions that might be safeguards to address threats</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p>involved with the client engagement or engagements.</p> <ul style="list-style-type: none"> • Having a professional accountant who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and conclusions are appropriate. • Consulting with third parties, such as a professional body, legal counsel or another professional accountant. 	<p>created by conflicts of interest include:</p> <ul style="list-style-type: none"> • Having separate engagement teams who are provided with clear policies and procedures on maintaining confidentiality. • Having a professional accountant who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and conclusions are appropriate. 	
220.11	<p>In addition, it is generally necessary to disclose the nature of the conflict of interest and the related safeguards, if any, to clients affected by the conflict and, when safeguards are required to reduce the threat to an acceptable level, to obtain their consent to the professional accountant in public practice performing the professional services.</p>	<p>310.9 A3 It is generally necessary:</p> <p>(a) To disclose the nature of the conflict of interest and how any threats created were addressed to clients affected by a conflict of interest; and</p> <p>(b) When safeguards are applied to address the threat, to obtain the consent of the affected clients to perform the professional services.</p>	<p>The IESBA believes that “generally” sets the proper level of rigor with necessary flexibility to exercise judgment.</p>
	<p>Disclosure and consent may take different forms, for example:</p> <ul style="list-style-type: none"> • General disclosure to clients of circumstances where the professional 	<p>310.9 A2 Disclosure and consent might take different forms, for example:</p> <ul style="list-style-type: none"> • General disclosure to clients of circumstances where, as is 	

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<p>accountant, in keeping with common commercial practice, does not provide services exclusively for any one client (for example, in a particular service in a particular market sector) in order for the client to provide general consent accordingly. Such disclosure might, for example, be made in the professional accountant's standard terms and conditions for the engagement.</p> <ul style="list-style-type: none"> • Specific disclosure to affected clients of the circumstances of the particular conflict, including a detailed presentation of the situation and a comprehensive explanation of any planned safeguards and the risks involved, sufficient to enable the client to make an informed decision with respect to the matter and to provide explicit consent accordingly. • In certain circumstances, consent may be implied by the client's conduct where the professional accountant has sufficient evidence to conclude that clients know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict. 	<p>common commercial practice, the professional accountant does not provide professional services exclusively to any one client (for example, in a particular professional service and market sector) in order for the client to provide general consent accordingly. For example, an accountant might make general disclosure in the standard terms and conditions for the engagement.</p> <ul style="list-style-type: none"> • Specific disclosure to affected clients of the circumstances of the particular conflict in sufficient detail to enable the client to make an informed decision about the matter and to provide explicit consent accordingly. Such disclosure might include a detailed presentation of the circumstances and a comprehensive explanation of any planned safeguards and the risks involved. • Consent might be implied by clients' conduct in circumstances where the 	

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		<p style="text-align: center;">professional accountant has sufficient evidence to conclude that clients know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.</p>	
	<p>The professional accountant shall determine whether the nature and significance of the conflict of interest is such that specific disclosure and explicit consent is necessary. For this purpose, the professional accountant shall exercise professional judgment in weighing the outcome of the evaluation of the circumstances that create a conflict of interest, including the parties that might be affected, the nature of the issues that might arise and the potential for the particular matter to develop in an unexpected manner</p>	<p>310.9 A1 When determining whether specific disclosure and explicit consent are necessary, applying the conceptual framework requires the professional accountant to exercise professional judgment and consider all the circumstances that create a conflict of interest. Factors to consider include:</p> <ul style="list-style-type: none"> • The parties that might be affected. • The nature of the issues that might arise. • The potential for the particular matter to develop in an unexpected manner. 	
220.12	<p>Where a professional accountant in public practice has requested explicit consent from a client and that consent has been refused by the client, the professional accountant shall decline to perform or shall discontinue professional services that would result in the</p>	<p>R310.10 If a professional accountant has determined that explicit consent is necessary in accordance with paragraph R310.9 and the client has refused to provide consent, the accountant shall either:</p>	

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	conflict of interest; or shall terminate relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level, such that consent can be obtained, after applying any additional safeguards if necessary.	<p>(a) End or decline to perform professional services that would result in the conflict of interest; or</p> <p>(b) End relevant relationships, or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.</p>	
220.13	When disclosure is verbal, or consent is verbal or implied, the professional accountant in public practice is encouraged to document the nature of the circumstances giving rise to the conflict of interest, the safeguards applied to reduce the threats to an acceptable level and the consent obtained.	<p>310.9 A4 If such disclosure or consent is not in writing, the professional accountant is encouraged to document:</p> <p>(a) The nature of the circumstances giving rise to the conflict of interest;</p> <p>(b) The safeguards applied to address the threats; and</p> <p>(c) The consent obtained.</p>	The IESBA believes that the intention of the extant Code is not to create a requirement.
220.14	<p>In certain circumstances, making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality. Examples of such circumstances may include:</p> <ul style="list-style-type: none"> • Performing a transaction-related service for a client in connection with a hostile takeover of another client of the firm. • Performing a forensic investigation for a client in connection with a suspected fraudulent act where the firm has 	<p>310.12 A1 A breach of confidentiality might arise, for example, when seeking consent to perform:</p> <ul style="list-style-type: none"> • A transaction-related service for a client in a hostile takeover of another client of the firm. • A forensic investigation for a client regarding a suspected fraud, where the firm has confidential information from its 	

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	confidential information obtained through having performed a professional service for another client who might be involved in the fraud.	work for another client who might be involved in the fraud.	
	<p>The firm shall not accept or continue an engagement under such circumstances unless the following conditions are met:</p> <ul style="list-style-type: none"> • The firm does not act in an advocacy role for one client where this requires the firm to assume an adversarial position against the other client with respect to the same matter; • Specific mechanisms are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and • The firm is satisfied that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant in public practice at the time, would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm's ability to provide the service would produce a disproportionate adverse outcome for the clients or other relevant third parties. 	<p>R310.12 When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, and such consent cannot therefore be obtained, the firm shall only accept or continue an engagement if:</p> <ul style="list-style-type: none"> (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter; (b) Specific measures are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and (c) The firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm's ability to provide the 	

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		professional service would produce a disproportionate adverse outcome for the clients or other relevant third parties.	
	The professional accountant shall document the nature of the circumstances, including the role that the professional accountant is to undertake, the specific mechanisms in place to prevent disclosure of information between the engagement teams serving the two clients and the rationale for the conclusion that it is appropriate to accept the engagement.	<p>R310.13 In the circumstances set out in paragraph R310.12, the professional accountant shall document:</p> <p>(a) The nature of the circumstances, including the role that the accountant is to undertake;</p> <p>(b) The specific measures in place to prevent disclosure of information between the engagement teams serving the two clients; and</p> <p>(c) Why it is appropriate to accept the engagement.</p>	
SECTION 360 Responding to Non-Compliance with Laws and Regulations (NOCLAR)*			
		<p>360.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.</p> <p>360.2 Threats to compliance with the principles of integrity and professional</p>	New introductory language

* Extant Code in this section refer to the text in the July 2016 NOCLAR pronouncement.

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			behavior are created when an accountant becomes aware of an act or suspected act of non-compliance with laws and regulations.	
225.1	A professional accountant in public practice may encounter or be made aware of non-compliance or suspected non-compliance with laws and regulations in the course of providing a professional service to a client. The purpose of this section is to set out the professional accountant's responsibilities when encountering such non-compliance or suspected non-compliance, and guide the professional accountant in assessing the implications of the matter and the possible courses of action when responding to it. This section applies regardless of the nature of the client, including whether or not it is a public interest entity.	360.5 A1 R360.5	A professional accountant might encounter or be made aware of non-compliance or suspected non-compliance with laws and regulations in the course of providing a professional service to a client. This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to it. The professional accountant shall apply this section regardless of the nature of the client, including whether or not it is a public interest entity.	
225.2	Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client which are contrary to the prevailing laws or regulations.	360.4 A1	Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties: (a) A client; (b) Those charged with governance of a client;	

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		<ul style="list-style-type: none"> (c) Management of a client; or (d) Other individuals working for or under the direction of a client. 	
225.3	In some jurisdictions, there are legal or regulatory provisions governing how professional accountants should address non-compliance or suspected non-compliance which may differ from or go beyond this section. When encountering such non-compliance or suspected non-compliance, the professional accountant has a responsibility to obtain an understanding of those provisions and comply with them, including any requirement to report the matter to an appropriate authority and any prohibition on alerting the client prior to making any disclosure, for example, pursuant to anti-money laundering legislation.	<p>R360.6 In some jurisdictions, there are legal or regulatory provisions governing how professional accountants should address non-compliance or suspected non-compliance. These legal or regulatory provisions might differ from or go beyond the provisions in this section. When encountering such non-compliance or suspected non-compliance, the accountant shall obtain an understanding of those legal or regulatory provisions and comply with them, including:</p> <ul style="list-style-type: none"> (a) Any requirement to report the matter to an appropriate authority; and (b) Any prohibition on alerting the client prior to making any disclosure. <p>360.6 A1 A prohibition on alerting the client prior to making any disclosure might arise, for example, pursuant to anti-money laundering legislation.</p>	
225.4	A distinguishing mark of the accountancy profession is its acceptance of the	360.7 A1 A distinguishing mark of the accountancy profession is its	

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	<p>responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the professional accountant are:</p> <ul style="list-style-type: none"> (a) To comply with the fundamental principles of integrity and professional behavior; (b) By alerting management or, where appropriate, those charged with governance of the client, to seek to: <ul style="list-style-type: none"> (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or (ii) Deter the commission of the non-compliance where it has not yet occurred; and (c) To take such further action as appropriate in the public interest. 		<p>acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the professional accountant are:</p> <ul style="list-style-type: none"> (a) To comply with the principles of integrity and professional behavior; (b) By alerting management or, where appropriate, those charged with governance of the client, to seek to: <ul style="list-style-type: none"> (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or (ii) Deter the commission of the non-compliance where it has not yet occurred; and (c) To take such further action as appropriate in the public interest. 	
225.5	This section sets out the approach to be taken by a professional accountant who encounters	360.3	Section 360 sets out requirements and application material regarding the approach to be taken by a professional accountant when responding to non-	

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	<p>or is made aware of non-compliance or suspected non-compliance with:</p> <p>(a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the client's financial statements; and</p> <p>(b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the client's financial statements, but compliance with which may be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties.</p>	<p>compliance or suspected non-compliance with:</p> <p>(a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the client's financial statements; and</p> <p>(b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the client's financial statements, but compliance with which might be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties.</p>	
225.6	<p>Examples of laws and regulations which this section addresses include those that deal with:</p> <ul style="list-style-type: none"> • Fraud, corruption and bribery. • Money laundering, terrorist financing and proceeds of crime. • Securities markets and trading. • Banking and other financial products and services. • Data protection. 	<p>360.4 A2 Examples of laws and regulations which this section addresses include those that deal with:</p> <ul style="list-style-type: none"> • Fraud, corruption and bribery. • Money laundering, terrorist financing and proceeds of crime. • Securities markets and trading. • Banking and other financial products and services. • Data protection. 	

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	<ul style="list-style-type: none"> • Tax and pension liabilities and payments. • Environmental protection. • Public health and safety. 	<ul style="list-style-type: none"> • Tax and pension liabilities and payments. • Environmental protection. • Public health and safety. 	
225.7	<p>Non-compliance may result in fines, litigation or other consequences for the client that may have a material effect on its financial statements. Importantly, such non-compliance may have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.</p>	360.7 A2 <p>Non-compliance might result in fines, litigation or other consequences for the client, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.</p>	
225.8	<p>A professional accountant who encounters or is made aware of matters that are clearly inconsequential, judged by their nature and their impact, financial or otherwise, on the</p>	360.7 A3 <p>A professional accountant who encounters or is made aware of matters that are clearly inconsequential is not required to</p>	

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	client, its stakeholders and the general public, is not required to comply with this section with respect to such matters.		comply with this section. Whether a matter is clearly inconsequential is to be judged with respect to its nature and its impact, financial or otherwise, on the client, its stakeholders and the general public.	
225.9	<p>This section does not address:</p> <p>(a) Personal misconduct unrelated to the business activities of the client; and</p> <p>(b) Non-compliance other than by the client or those charged with governance, management or other individuals working for or under the direction of the client. This includes, for example, circumstances where a professional accountant has been engaged by a client to perform a due diligence assignment on a third party entity and the identified or suspected non-compliance has been committed by that third party.</p> <p>The professional accountant may nevertheless find the guidance in this section helpful in considering how to respond in these situations.</p>	360.7 A4	<p>This section does not address:</p> <p>(a) Personal misconduct unrelated to the business activities of the client; and</p> <p>(b) Non-compliance by parties other than those specified in paragraph 360.4 A1. This includes, for example, circumstances where a professional accountant has been engaged by a client to perform a due diligence assignment on a third party entity and the identified or suspected non-compliance has been committed by that third party.</p> <p>The accountant might nevertheless find the guidance in this section helpful in considering how to respond in these situations.</p>	
225.10	It is the responsibility of the client's management, with the oversight of those	360.8 A1	Management, with the oversight of those charged with governance, is	

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	<p>charged with governance, to ensure that the client's business activities are conducted in accordance with laws and regulations. It is also the responsibility of management and those charged with governance to identify and address any non-compliance by the client, by an individual charged with governance of the entity, by a member of management, or by other individuals working for or under the direction of the client.</p>	<p>responsible for ensuring that the client's business activities are conducted in accordance with laws and regulations. Management and those charged with governance are also responsible for identifying and addressing any non-compliance by:</p> <ul style="list-style-type: none"> (a) The client; (b) An individual charged with governance of the entity; (c) A member of management; or (d) Other individuals working for or under the direction of the client. 	
225.11	<p>Where a professional accountant becomes aware of a matter to which this section applies, the steps that the professional accountant takes to comply with this section shall be taken on a timely basis, having regard to the professional accountant's understanding of the nature of the matter and the potential harm to the interests of the entity, investors, creditors, employees or the general public.</p>	<p>R360.9 Where a professional accountant becomes aware of a matter to which this section applies, the steps that the accountant takes to comply with this section shall be taken on a timely basis. In taking timely steps, the accountant shall have regard to the nature of the matter and the potential harm to the interests of the entity, investors, creditors, employees or the general public.</p>	
225.12	<p>If a professional accountant engaged to perform an audit of financial statements becomes aware of information concerning an instance of non-compliance or suspected non-compliance, whether in the course of</p>	<p>R360.10 If a professional accountant engaged to perform an audit of financial statements becomes aware of information concerning an instance of non-compliance or suspected non-</p>	

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	performing the engagement or through information provided by other parties, the professional accountant shall obtain an understanding of the matter, including the nature of the act and the circumstances in which it has occurred or may occur.	<p>compliance, the accountant shall obtain an understanding of the matter. This understanding shall include the nature of the act and the circumstances in which it has occurred or might occur.</p> <p>360.10 A1 The professional accountant might become aware of the instance of non-compliance or suspected non-compliance in the course of performing the engagement or through information provided by other parties.</p>	
225.13	The professional accountant is expected to apply knowledge, professional judgment and expertise, but is not expected to have a level of knowledge of laws and regulations that is greater than that which is required to undertake the engagement. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.	360.10 A2 The professional accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of knowledge of laws and regulations greater than that which is required to undertake the engagement. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.	
	Depending on the nature and significance of the matter, the professional accountant may consult on a confidential basis with others	360.10 A3 Depending on the nature and significance of the matter, the professional accountant might consult on a confidential basis with others within the firm, a network firm	

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	within the firm, a network firm or a professional body, or with legal counsel.	or a professional body, or with legal counsel.	
225.14	If the professional accountant identifies or suspects that non-compliance has occurred or may occur, the professional accountant shall discuss the matter with the appropriate level of management and, where appropriate, those charged with governance.	R360.11 If the professional accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall discuss the matter with the appropriate level of management and, where appropriate, those charged with governance.	
225.15	Such discussion serves to clarify the professional accountant's understanding of the facts and circumstances relevant to the matter and its potential consequences. The discussion also may prompt management or those charged with governance to investigate the matter.	360.11 A1 The purpose of the discussion is to clarify the professional accountant's understanding of the facts and circumstances relevant to the matter and its potential consequences. The discussion also might prompt management or those charged with governance to investigate the matter.	
225.16	The appropriate level of management with whom to discuss the matter is a question of professional judgment. Relevant factors to consider include: <ul style="list-style-type: none"> • The nature and circumstances of the matter. • The individuals actually or potentially involved. • The likelihood of collusion. 	360.11 A2 The appropriate level of management with whom to discuss the matter is a question of professional judgment. Relevant factors to consider include: <ul style="list-style-type: none"> • The nature and circumstances of the matter. • The individuals actually or potentially involved. • The likelihood of collusion. 	

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	<ul style="list-style-type: none"> • The potential consequences of the matter. • Whether that level of management is able to investigate the matter and take appropriate action. 	<ul style="list-style-type: none"> • The potential consequences of the matter. • Whether that level of management is able to investigate the matter and take appropriate action. 	
225.17	The appropriate level of management is generally at least one level above the person or persons involved or potentially involved in the matter. If the professional accountant believes that management is involved in the non-compliance or suspected non-compliance, the professional accountant shall discuss the matter with those charged with governance. The professional accountant may also consider discussing the matter with internal auditors, where applicable. In the context of a group, the appropriate level may be management at an entity that controls the client.	<p>360.11 A3 The appropriate level of management is usually at least one level above the individual or individuals involved or potentially involved in the matter. In the context of a group, the appropriate level might be management at an entity that controls the client.</p> <p>360.11 A4 The professional accountant might also consider discussing the matter with internal auditors, where applicable.</p> <p>R360.12 If the professional accountant believes that management is involved in the non-compliance or suspected non-compliance, the accountant shall discuss the matter with those charged with governance.</p>	
225.18	In discussing the non-compliance or suspected non-compliance with management and, where appropriate, those charged with governance, the professional accountant shall	R360.13 In discussing the non-compliance or suspected non-compliance with management and, where appropriate, those charged with governance, the professional accountant shall advise	

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	<p>advise them to take appropriate and timely actions, if they have not already done so, to:</p> <p>(a) Rectify, remediate or mitigate the consequences of the non-compliance;</p> <p>(b) Deter the commission of the non-compliance where it has not yet occurred; or</p> <p>(c) Disclose the matter to an appropriate authority where required by law or regulation or where considered necessary in the public interest.</p>	<p>them to take appropriate and timely actions, if they have not already done so, to:</p> <p>(a) Rectify, remediate or mitigate the consequences of the non-compliance;</p> <p>(b) Deter the commission of the non-compliance where it has not yet occurred; or</p> <p>(c) Disclose the matter to an appropriate authority where required by law or regulation or where considered necessary in the public interest.</p>	
225.19	<p>The professional accountant shall consider whether the client's management and those charged with governance understand their legal or regulatory responsibilities with respect to the non-compliance or suspected non-compliance. If not, the professional accountant may suggest appropriate sources of information or recommend that they obtain legal advice.</p>	<p>R360.14 The professional accountant shall consider whether the client's management and those charged with governance understand their legal or regulatory responsibilities with respect to the non-compliance or suspected non-compliance.</p> <p>360.14 A1 If management and those charged with governance do not understand their legal or regulatory responsibilities with respect to the matter, the professional accountant might suggest appropriate sources of information or recommend that they obtain legal advice.</p>	

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225.20	<p>The professional accountant shall comply with applicable:</p> <p>(a) Laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority. <u>In this regard, some laws and regulations may stipulate a period within which reports are to be made.</u></p> <p>(b) Requirements under auditing standards, including those relating to:</p> <ul style="list-style-type: none"> • Identifying and responding to non-compliance, including fraud. • Communicating with those charged with governance. • Considering the implications of the non-compliance or suspected non-compliance for the auditor's report. 	<p>R360.15 The professional accountant shall comply with applicable:</p> <p>(a) Laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority; and</p> <p>(b) Requirements under auditing standards, including those relating to:</p> <ul style="list-style-type: none"> • Identifying and responding to non-compliance, including fraud. • Communicating with those charged with governance. • Considering the implications of the non-compliance or suspected non-compliance for the auditor's report. 	
		<p>360.15 A1 Some laws and regulations might stipulate a period within which reports of non-compliance or suspected non-compliance are to be made to an appropriate authority.</p>	<p>This text corresponds to the underlined text in the extant column above.</p>

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225.21	<p>A professional accountant may:</p> <p>(a) For purposes of an audit of group financial statements, be requested by the group engagement team to perform work on financial information related to a component of the group; or</p> <p>(b) Be engaged to perform an audit of a component's financial statements for purposes other than the group audit, for example, a statutory audit.</p> <p>Where the professional accountant becomes aware of non-compliance or suspected non-compliance in relation to the component in either situation, the professional accountant shall, in addition to responding to the matter in accordance with the provisions of this section, communicate it to the group engagement partner unless prohibited from doing so by law or regulation.</p>	<p>R360.16 Where a professional accountant becomes aware of non-compliance or suspected non-compliance in relation to a component of a group in either of the following two situations, the accountant shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation:</p> <p>(a) The accountant is, for purposes of an audit of the group financial statements, requested by the group engagement team to perform work on financial information related to the component; or</p> <p>(b) The accountant is engaged to perform an audit of the component's financial statements for purposes other than the group audit, for example, a statutory audit.</p> <p>The communication to the group engagement partner shall be in addition to responding to the matter in accordance with the provisions of this section.</p>	
	<p>This is to enable the group engagement partner to be informed about the matter and to determine, in the context of the group audit,</p>	<p>360.16 A1 The purpose of the communication is to enable the group engagement partner to be informed about the matter</p>	

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	whether and, if so, how it should be addressed in accordance with the provisions in this section.	and to determine, in the context of the group audit, whether and, if so, how to address it in accordance with the provisions in this section.	
225.22	<p>Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, including as a result of being informed of such a matter in accordance with paragraph 225.21, the group engagement partner shall, in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section, consider whether the matter may be relevant to one or more components:</p> <p>(a) Whose financial information is subject to work for purposes of the audit of the group financial statements; or</p> <p>(b) Whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.</p>	<p>R360.17 Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, the group engagement partner shall consider whether the matter might be relevant to one or more components:</p> <p>(a) Whose financial information is subject to work for purposes of the audit of the group financial statements; or</p> <p>(b) Whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.</p> <p>This consideration shall be in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section.</p>	
	If so, the group engagement partner shall take steps to have the non-compliance or suspected non-compliance communicated to those performing work at components where	<p>R360.18 (a) If the non-compliance or suspected non-compliance might be relevant to one or more of the components specified in</p>	

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	the matter may be relevant, unless prohibited from doing so by law or regulation.	paragraph R360.17(a) and (b), the group engagement partner shall take steps to have the matter communicated to those performing work at the components, unless prohibited from doing so by law or regulation.	
	If necessary in relation to subparagraph (b), appropriate inquiries shall be made (either of management or from publicly available information) as to whether the relevant component(s) is subject to audit and, if so, to ascertain to the extent practicable the identity of the auditor.	(b) If necessary, the group engagement partner shall arrange for appropriate inquiries to be made as to whether the relevant component(s) specified in paragraph R360.17(b) is subject to audit and, if so, to ascertain to the extent practicable the identity of the auditor. 360.18 A2 For the components specified in paragraph R360.17(b), the inquiries might be made either of management or from publicly available information.	
	The communication is to enable those responsible for work at such components to be informed about the matter and to determine whether and, if so, how it should be addressed in accordance with the provisions in this section.	360.18 A1 The purpose of the communication is to enable those responsible for work at the components to be informed about the matter and to determine whether and, if so, how to address it in	

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		accordance with the provisions in this section.	
225.23	The professional accountant shall assess the appropriateness of the response of management and, where applicable, those charged with governance.	R360.19 The professional accountant shall assess the appropriateness of the response of management and, where applicable, those charged with governance.	
225.24	<p>Relevant factors to consider in assessing the appropriateness of the response of management and, where applicable, those charged with governance include whether:</p> <ul style="list-style-type: none"> • The response is timely. • The non-compliance or suspected non-compliance has been adequately investigated. • Action has been, or is being, taken to rectify, remediate or mitigate the consequences of any non-compliance. • Action has been, or is being, taken to deter the commission of any non-compliance where it has not yet occurred. • Appropriate steps have been, or are being, taken to reduce the risk of re-occurrence, for example, additional controls or training. • The non-compliance or suspected non-compliance has been disclosed to an appropriate authority where appropriate 	<p>360.19 A1 Relevant factors to consider in assessing the appropriateness of the response of management and, where applicable, those charged with governance include whether:</p> <ul style="list-style-type: none"> • The response is timely. • The non-compliance or suspected non-compliance has been adequately investigated. • Action has been, or is being, taken to rectify, remediate or mitigate the consequences of any non-compliance. • Action has been, or is being, taken to deter the commission of any non-compliance where it has not yet occurred. • Appropriate steps have been, or are being, taken to reduce the risk of re-occurrence, for example, additional controls or training. 	

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	and, if so, whether the disclosure appears adequate.	<ul style="list-style-type: none"> The non-compliance or suspected non-compliance has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate. 	
225.25	In light of the response of management and, where applicable, those charged with governance, the professional accountant shall determine if further action is needed in the public interest.	R360.20 In light of the response of management and, where applicable, those charged with governance, the professional accountant shall determine if further action is needed in the public interest.	
225.27	<p>Examples of circumstances that may cause the professional accountant no longer to have confidence in the integrity of management and, where applicable, those charged with governance include situations where:</p> <ul style="list-style-type: none"> The professional accountant suspects or has evidence of their involvement or intended involvement in any non-compliance. The professional accountant is aware that they have knowledge of such non-compliance and, contrary to legal or regulatory requirements, have not reported, or authorized 	<p>360.20 A2 Examples of circumstances that might cause the professional accountant no longer to have confidence in the integrity of management and, where applicable, those charged with governance include situations where:</p> <ul style="list-style-type: none"> The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance. The accountant is aware that they have knowledge of such non-compliance and, contrary to legal or regulatory 	

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		requirements, have not reported, or authorized the reporting of, the matter to an appropriate authority within a reasonable period.	
225.28	In determining the need for, and nature and extent of, further action, the professional accountant shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the professional accountant has acted appropriately in the public interest.	R360.21 The professional accountant shall exercise professional judgment in determining the need for, and nature and extent of, further action. In making this determination, the accountant shall take into account whether a reasonable and informed third party would be likely to conclude that the accountant has acted appropriately in the public interest	
225.29	Further action by the professional accountant may include: <ul style="list-style-type: none"> • Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so. • Withdrawing from the engagement and the professional relationship where permitted by law or regulation. 	360.21 A1 Further action that the professional accountant might take includes: <ul style="list-style-type: none"> • Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so. • Withdrawing from the engagement and the professional relationship where permitted by law or regulation. 	
225.30	Where the professional accountant determines that withdrawing from the engagement and the professional relationship	360.21 A2 Withdrawing from the engagement and the professional relationship is not a substitute for taking other	

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	would be appropriate, doing so would not be a substitute for taking other actions that may be needed to achieve the professional accountant's objectives under this section. In some jurisdictions, however, there may be limitations as to the further actions available to the professional accountant and withdrawal may be the only available course of action.	actions that might be needed to achieve the professional accountant's objectives under this section. In some jurisdictions, however, there might be limitations as to the further actions available to the accountant. In such circumstances, withdrawal might be the only available course of action.	
225.31	Where the professional accountant has withdrawn from the professional relationship pursuant to paragraphs 225.25 and 225.29, the professional accountant shall, on request by the proposed successor accountant, provide all such facts and other information concerning the identified or suspected non-compliance that, in the predecessor accountant's opinion, the proposed successor accountant needs to be aware of before deciding whether to accept the audit appointment. The predecessor accountant shall do so despite paragraph 210.14, unless prohibited by law or regulation.	<p>R360.22 Where the professional accountant has withdrawn from the professional relationship pursuant to paragraphs R360.20 and 360.21 A1, the accountant shall, on request by the proposed successor accountant, provide all such facts and other information concerning the identified or suspected non-compliance to the proposed successor accountant. The predecessor accountant shall do so despite paragraph R320.11, unless prohibited by law or regulation.</p> <p>360.22 A1 The facts and other information to be provided are those that, in the predecessor accountant's opinion, the proposed successor accountant needs to be aware of before deciding whether to accept the audit appointment. Section 320 addresses communications from proposed successor accountants.</p>	

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	If the proposed successor accountant is unable to communicate with the predecessor accountant, the proposed successor accountant shall take reasonable steps to obtain information about the circumstances of the change of appointment by other means, such as through inquiries of third parties or background investigations of management or those charged with governance.	<p>R360.23 If the proposed successor accountant is unable to communicate with the predecessor accountant, the proposed successor accountant shall take reasonable steps to obtain information about the circumstances of the change of appointment by other means.</p> <p>360.23 A1 Other means to obtain information about the circumstances of the change of appointment include inquiries of third parties or background investigations of management or those charged with governance.</p>	
225.32	As consideration of the matter may involve complex analysis and judgments, the professional accountant may consider consulting internally, obtaining legal advice to understand the professional accountant's options and the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or professional body.	<p>360.24 A1 As consideration of the matter might involve complex analysis and judgments, the professional accountant might consider:</p> <ul style="list-style-type: none"> • Consulting internally. • Obtaining legal advice to understand the accountant's options and the professional or legal implications of taking any particular course of action. • Consulting on a confidential basis with a regulator or professional body. 	

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225.33	<p>Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.</p>	360.25 A1 Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.	
225.34	<p>The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or may be caused by the matter to investors, creditors, employees or the general public. For example, the professional accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:</p> <ul style="list-style-type: none"> • The entity is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts). • The entity is regulated and the matter is of such significance as to threaten its license to operate. • The entity is listed on a securities exchange and the matter could result in adverse consequences to the fair and orderly market in the entity's securities 	360.25 A2 The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or might be caused by the matter to investors, creditors, employees or the general public. For example, the professional accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if: <ul style="list-style-type: none"> • The entity is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts). • The entity is regulated and the matter is of such significance as to threaten its license to operate. 	

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	<p>or pose a systemic risk to the financial markets.</p> <ul style="list-style-type: none"> • Products that are harmful to public health or safety would likely be sold by the entity. • The entity is promoting a scheme to its clients to assist them in evading taxes. 	<ul style="list-style-type: none"> • The entity is listed on a securities exchange and the matter might result in adverse consequences to the fair and orderly market in the entity's securities or pose a systemic risk to the financial markets. • It is likely that the entity would sell products that are harmful to public health or safety. • The entity is promoting a scheme to its clients to assist them in evading taxes. 	
	<p>The determination of whether to make such a disclosure will also depend on external factors such as:</p> <ul style="list-style-type: none"> • Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend on the nature of the matter, for example, a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations. • Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation 	<p>360.25 A3</p> <p>The determination of whether to make such a disclosure will also depend on external factors such as:</p> <ul style="list-style-type: none"> • Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend on the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach 	

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	<p>afforded by legislation or regulation, such as under whistle-blowing legislation or regulation.</p> <ul style="list-style-type: none"> Whether there are actual or potential threats to the physical safety of the professional accountant or other individuals. 	<p>of environmental laws and regulations.</p> <ul style="list-style-type: none"> Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation. Whether there are actual or potential threats to the physical safety of the professional accountant or other individuals. 	
225.35	<p>If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, this will not be considered a breach of the duty of confidentiality under Section 140 of this Code. When making such disclosure, the professional accountant shall act in good faith and exercise caution when making statements and assertions. The professional accountant shall also consider whether it is appropriate to inform the client of the professional accountant's intentions before disclosing the matter.</p>	<p>R360.26 If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, this is not a breach of the duty of confidentiality under Subsection 114 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.</p>	

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225.36	In exceptional circumstances, the professional accountant may become aware of actual or intended conduct that the professional accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the professional accountant shall exercise professional judgment and may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. Such disclosure will not be considered a breach of the duty of confidentiality under Section 140 of this Code.	<p>R360.27 In exceptional circumstances, the professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. In these circumstances, the accountant shall exercise professional judgment and may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. Such disclosure is not a breach of the duty of confidentiality under Subsection 114 of the Code.</p> <p>360.27 A1 Prior to deciding whether to disclose the matter to an appropriate authority immediately, the professional accountant might consider whether it would be appropriate to discuss the matter with management or those charged with governance of the entity.</p>	
225.37	In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the professional accountant shall, in addition to complying with the	<p>R360.28 In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the professional accountant shall document:</p>	

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<p>documentation requirements under applicable auditing standards, document:</p> <ul style="list-style-type: none"> • How management and, where applicable, those charged with governance have responded to the matter. • The courses of action the professional accountant considered, the judgments made and the decisions that were taken, having regard to the reasonable and informed third party perspective. • How the professional accountant is satisfied that the professional accountant has fulfilled the responsibility set out in paragraph 225.25. 	<ul style="list-style-type: none"> • How management and, where applicable, those charged with governance have responded to the matter. • The courses of action the accountant considered, the judgments made and the decisions that were taken, having regard to the reasonable and informed third party test. • How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R360.20. 	
<p>225.38</p> <p><i>International Standards on Auditing</i> (ISAs), for example, require a professional accountant performing an audit of financial statements to:</p> <ul style="list-style-type: none"> • Prepare documentation sufficient to enable an understanding of significant matters arising during the audit, the conclusions reached, and significant professional judgments made in reaching those conclusions; • Document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant 	<p>360.28 A1</p> <p>This documentation is in addition to complying with the documentation requirements under applicable auditing standards. <i>International Standards on Auditing</i> (ISAs), for example, require a professional accountant performing an audit of financial statements to:</p> <ul style="list-style-type: none"> • Prepare documentation sufficient to enable an understanding of significant matters arising during the audit, the conclusions reached, and significant professional 	

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	<p>matters discussed and when and with whom the discussions took place; and</p> <ul style="list-style-type: none"> Document identified or suspected non-compliance, and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity. 	<p>judgments made in reaching those conclusions;</p> <ul style="list-style-type: none"> Document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place; and Document identified or suspected non-compliance, and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity. 	
225.39	<p>If a professional accountant engaged to provide a professional service other than an audit of financial statements becomes aware of information concerning an instance of non-compliance or suspected non-compliance, the professional accountant shall seek to obtain an understanding of the matter, including the nature of the act and the circumstances in which it has occurred or may be about to occur.</p>	<p>R360.29 If a professional accountant engaged to provide a professional service other than an audit of financial statements becomes aware of information concerning an instance of non-compliance or suspected non-compliance, the accountant shall seek to obtain an understanding of the matter. This understanding shall include the nature of the act and the circumstances in which it has occurred or might be about to occur</p>	

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225.40	The professional accountant is expected to apply knowledge, professional judgment and expertise, but is not expected to have a level of understanding of laws and regulations beyond that which is required for the professional service for which the accountant was engaged. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body. Depending on the nature and significance of the matter, the professional accountant may consult on a confidential basis with others within the firm, a network firm or a professional body, or with legal counsel.	<p>360.29 A1 The professional accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations beyond that which is required for the professional service for which the accountant was engaged. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.</p> <p>360.29 A2 Depending on the nature and significance of the matter, the professional accountant might consult on a confidential basis with others within the firm, a network firm or a professional body, or with legal counsel.</p>	
225.41	If the professional accountant identifies or suspects that non-compliance has occurred or may occur, the professional accountant shall discuss the matter with the appropriate level of management and, if the professional accountant has access to them and where appropriate, those charged with governance.	R360.30 If the professional accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall discuss the matter with the appropriate level of management. If the accountant has access to those charged with governance, the accountants shall also discuss the matter with them where appropriate.	

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225.42	Such discussion serves to clarify the professional accountant's understanding of the facts and circumstances relevant to the matter and its potential consequences. The discussion also may prompt management or those charged with governance to investigate the matter.	360.30 A1 The purpose of the discussion is to clarify the professional accountant's understanding of the facts and circumstances relevant to the matter and its potential consequences. The discussion also might prompt management or those charged with governance to investigate the matter.	
225.43	<p>The appropriate level of management with whom to discuss the matter is a question of professional judgment. Relevant factors to consider include:</p> <ul style="list-style-type: none"> • The nature and circumstances of the matter. • The individuals actually or potentially involved. <p>The likelihood of collusion. The potential consequences of the matter. Whether that level of management is able to investigate the matter and take appropriate action.</p>	<p>360.30 A2 The appropriate level of management with whom to discuss the matter is a question of professional judgment. Relevant factors to consider include:</p> <ul style="list-style-type: none"> • The nature and circumstances of the matter. • The individuals actually or potentially involved. • The likelihood of collusion. • The potential consequences of the matter. • Whether that level of management is able to investigate the matter and take appropriate action. 	
225.44	If the professional accountant is performing a non-audit service for an audit client of the firm, or a component of an audit client of the firm, the professional accountant shall communicate the non-compliance or suspected non-compliance within the firm,	<p>R360.31 If the professional accountant is performing a non-audit service for:</p> <p>(a) An audit client of the firm; or</p> <p>(b) A component of an audit client of the firm,</p>	

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	unless prohibited from doing so by law or regulation. The communication shall be made in accordance with the firm's protocols or procedures or, in the absence of such protocols and procedures, directly to the audit engagement partner.	the accountant shall communicate the non-compliance or suspected non-compliance within the firm, unless prohibited from doing so by law or regulation. The communication shall be made in accordance with the firm's protocols or procedures. In the absence of such protocols and procedures, it shall be made directly to the audit engagement partner.	
225.45	If the professional accountant is performing a non-audit service for an audit client of a network firm, or a component of an audit client of a network firm, the professional accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the network firm. Where the communication is made, it shall be made in accordance with the network's protocols or procedures or, in the absence of such protocols and procedures, directly to the audit engagement partner.	R360.32 If the professional accountant is performing a non-audit service for: <ul style="list-style-type: none"> (a) An audit client of a network firm; or (b) A component of an audit client of a network firm, the accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the network firm. Where the communication is made, it shall be made in accordance with the network's protocols or procedures. In the absence of such protocols and procedures, it shall be made directly to the audit engagement partner.	
225.46	If the professional accountant is performing a non-audit service for a client that is not:	R360.33 If the professional accountant is performing a non-audit service for a client that is not:	

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	<p>(a) An audit client of the firm or a network firm; or</p> <p>(b) A component of an audit client of the firm or a network firm,</p> <p>the professional accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the firm that is the client's external auditor, if any.</p>	<p>(a) An audit client of the firm or a network firm; or</p> <p>(b) A component of an audit client of the firm or a network firm,</p> <p>the accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the firm that is the client's external auditor, if any.</p>	
225.47	<p>Factors relevant to considering the communication in accordance with paragraphs 225.45 and 225.46 include:</p> <ul style="list-style-type: none"> • Whether doing so would be contrary to law or regulation. • Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor in an ongoing investigation into the non-compliance or suspected non-compliance. • Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action. • Whether management or those charged with governance have already informed the entity's external auditor about the matter. • The likely materiality of the matter to the audit of the client's financial statements 	<p>360.34 A1 Factors relevant to considering the communication in accordance with paragraphs R360.32 to R360.33 include:</p> <ul style="list-style-type: none"> • Whether doing so would be contrary to law or regulation. • Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor in an ongoing investigation into the non-compliance or suspected non-compliance. • Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action. • Whether management or those charged with governance have 	

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	or, where the matter relates to a component of a group, its likely materiality to the audit of the group financial statements.	<p>already informed the entity's external auditor about the matter.</p> <ul style="list-style-type: none"> The likely materiality of the matter to the audit of the client's financial statements or, where the matter relates to a component of a group, its likely materiality to the audit of the group financial statements. 	
225.48	In all cases, the communication is to enable the audit engagement partner to be informed about the non-compliance or suspected non-compliance and to determine whether and, if so, how it should be addressed in accordance with the provisions of this section.	360.35 A1 In the circumstances addressed in paragraphs R360.31 to R360.33, the purpose of the communication is to enable the audit engagement partner to be informed about the non-compliance or suspected non-compliance and to determine whether and, if so, how to address it in accordance with the provisions of this section.	
225.49	The professional accountant shall also consider whether further action is needed in the public interest.	R360.36 The professional accountant shall also consider whether further action is needed in the public interest.	
225.50	Whether further action is needed, and the nature and extent of it, will depend on factors such as: <ul style="list-style-type: none"> The legal and regulatory framework. The appropriateness and timeliness of the response of management and, 	360.36 A1 Whether further action is needed, and the nature and extent of it, will depend on factors such as: <ul style="list-style-type: none"> The legal and regulatory framework. 	

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	<p>where applicable, those charged with governance.</p> <ul style="list-style-type: none"> • The urgency of the matter. • The involvement of management or those charged with governance in the matter. • The likelihood of substantial harm to the interests of the client, investors, creditors, employees or the general public. 	<ul style="list-style-type: none"> • The appropriateness and timeliness of the response of management and, where applicable, those charged with governance. • The urgency of the situation. • The involvement of management or those charged with governance in the matter. • The likelihood of substantial harm to the interests of the client, investors, creditors, employees or the general public. 	
225.51	<p>Further action by the professional accountant may include:</p> <ul style="list-style-type: none"> • Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so. • Withdrawing from the engagement and the professional relationship where permitted by law or regulation. 	<p>360.36 A2 Further action by the professional accountant might include:</p> <ul style="list-style-type: none"> • Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so. • Withdrawing from the engagement and the professional relationship where permitted by law or regulation. 	

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225.52	<p>In considering whether to disclose to an appropriate authority, relevant factors to take into account include:</p> <ul style="list-style-type: none"> • Whether doing so would be contrary to law or regulation. • Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor in an ongoing investigation into the non-compliance or suspected non-compliance. • Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action. 	<p>360.36 A3 In considering whether to disclose to an appropriate authority, relevant factors to take into account include:</p> <ul style="list-style-type: none"> • Whether doing so would be contrary to law or regulation. • Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor in an ongoing investigation into the non-compliance or suspected non-compliance. • Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action. 	
225.53	<p>If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, this will not be considered a breach of the duty of confidentiality under Section 140 of this Code. When making such disclosure, the professional accountant shall act in good faith and exercise caution when making statements and assertions. The professional accountant shall also consider whether it is appropriate to inform the client of</p>	<p>R360.37 If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, this is not a breach of the duty of confidentiality under Subsection 114 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider</p>	

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	the professional accountant's intentions before disclosing the matter.	whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.	
225.54	In exceptional circumstances, the professional accountant may become aware of actual or intended conduct that the professional accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the professional accountant shall exercise professional judgment and may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. Such disclosure will not be considered a breach of the duty of confidentiality under Section 140 of this Code.	<p>R360.38 In exceptional circumstances, the professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. In these circumstances, the accountant shall exercise professional judgment and may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. Such disclosure is not a breach of the duty of confidentiality under Subsection 114 of the Code.</p> <p>360.38 A1 Prior to deciding whether to disclose the matter to an appropriate authority immediately, the professional accountant might consider whether it would be appropriate to discuss the matter with management or those charged with governance of the entity.</p>	

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225.55	The professional accountant may consider consulting internally, obtaining legal advice to understand the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or professional body.	360.39 A1 The professional accountant might consider: <ul style="list-style-type: none"> • Consulting internally. • Obtaining legal advice to understand the professional or legal implications of taking any particular course of action. • Consulting on a confidential basis with a regulator or professional body. 	
225.56	In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the professional accountant is encouraged to document: <ul style="list-style-type: none"> • The matter. • The results of discussion with management and, where applicable, those charged with governance and other parties. • How management and, where applicable, those charged with governance have responded to the matter. • The courses of action the professional accountant considered, the judgments made and the decisions that were taken. 	360.40 A1 In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the professional accountant is encouraged to document: <ul style="list-style-type: none"> • The matter. • The results of discussion with management and, where applicable, those charged with governance and other parties. • How management and, where applicable, those charged with governance have responded to the matter. • The courses of action the accountant considered, the judgments made and the decisions that were taken. 	

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	<ul style="list-style-type: none"> How the professional accountant is satisfied that the professional accountant has fulfilled the responsibility set out in paragraph 225.49. 	<ul style="list-style-type: none"> How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R360.36. 	
SECTION 321 Second Opinions			
230.1	<p>Situations where a professional accountant in public practice is asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client may create threats to compliance with the fundamental principles.</p>	321.4 A professional accountant might be asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client.	
	<p>For example, there may be a threat to professional competence and due care in circumstances where the second opinion is not based on the same set of facts that were made available to the existing accountant or is based on inadequate evidence. The existence and significance of any threat will depend on the circumstances of the request and all the other available facts and assumptions relevant to the expression of a professional judgment.</p>	321.2 Providing a second opinion to an entity that is not an existing client might create self-interest threats. For example, there might be a threat to compliance with the principle of professional competence and due care if the second opinion is not based on the same facts that the existing or predecessor accountant had, or is based on inadequate evidence. 321.5 A1 Factors that are relevant in evaluating the level of a threat created by providing a second opinion to an	<p>Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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		entity that is not an existing client are the circumstances of the request and all the other available facts and assumptions relevant to the expression of a professional judgment.	
230.2	When asked to provide such an opinion, a professional accountant in public practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an acceptable level.	<p>321.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.</p> <p>321.3 Section 321 sets out specific requirements and application material relevant to applying the conceptual framework to providing a second opinion.</p>	New introductory material.
	Examples of such safeguards include seeking client permission to contact the existing accountant, describing the limitations surrounding any opinion in communications with the client and providing the existing accountant with a copy of the opinion.	<p>321.5 A2 Examples of actions that might be safeguards to address the threats created by providing a second opinion include:</p> <ul style="list-style-type: none"> • With the client's permission, obtaining information from the existing or predecessor accountant. • Describing the limitations surrounding any opinion in communications with the client. • Providing the existing or 	

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			predecessor accountant with a copy of the opinion.	
230.3	If the company or entity seeking the opinion will not permit communication with the existing accountant, a professional accountant in public practice shall determine whether, taking all the circumstances into account, it is appropriate to provide the opinion sought.	R321.5	If an entity seeking a second opinion from a professional accountant will not permit the accountant to communicate with the existing or predecessor accountant, the accountant shall determine whether the accountant may provide the second opinion sought.	
SECTION 330 Fees and Other Types of Remuneration				
240.1	When entering into negotiations regarding professional services, a professional accountant in public practice may quote whatever fee is deemed appropriate. The fact that one professional accountant in public practice may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, a self-interest threat to professional competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	330.2	The level and nature of fee and other remuneration arrangements might create self-interest threats.	New introductory material.
		330.4 A1	The level of fees quoted might impact a professional accountant's ability to perform professional services in accordance with professional standards.	
		330.4 A2	A professional accountant might quote whatever fee is considered appropriate. Quoting a fee lower than another accountant is not in itself unethical. However, the level of fees quoted creates a threat to compliance with the principle of professional competence and due care if the fee quoted is so low that it might be difficult to perform the engagement in	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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		accordance with applicable technical and professional standards.	
240.2	The existence and significance of any threats created will depend on factors such as the level of fee quoted and the services to which it applies. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.	330.4 A3 Factors that are relevant in evaluating the level of any threats created by the level of fees quoted include: <ul style="list-style-type: none"> Whether the client is aware of the terms of the engagement and, in particular, the basis on which fees are charged and which professional services the quoted fee covers. Whether the level of the fee is set by an independent third party such as a regulator or a tax authority. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
		330.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats. 330.3 Section 330 sets out specific application material relevant to applying the conceptual framework to fees and other types of remuneration.	New introductory material.
	Examples of such safeguards include: <ul style="list-style-type: none"> Making the client aware of the terms of the engagement and, in particular, the basis on which fees are charged and 	330.4 A4 Examples of actions that might be safeguards to address threats set out in paragraph 330.4 A2 include: <ul style="list-style-type: none"> Adjusting the level of fees or 	Conforming amendments arising from safeguards

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	<p>which services are covered by the quoted fee; or</p> <ul style="list-style-type: none"> Assigning appropriate time and qualified staff to the task. 	<p>the scope of the engagement.</p> <ul style="list-style-type: none"> Assigning a professional with appropriate expertise to review the work performed. 	<p>project. See Safeguards ED-2.</p>
240.3	<p>Contingent fees are widely used for certain types of non-assurance engagements. They may, however, create threats to compliance with the fundamental principles in certain circumstances. They may create a self-interest threat to objectivity. The existence and significance of such threats will depend on factors including:</p> <ul style="list-style-type: none"> The nature of the engagement. The range of possible fee amounts. The basis for determining the fee. Whether the outcome or result of the transaction is to be reviewed by an independent third party. 	<p>330.5 A1 Contingent fees are used for certain types of non-assurance services. However, contingent fees might create threats to compliance with the fundamental principles, particularly a self-interest threat to compliance with the principle of objectivity, in certain circumstances.</p> <p>330.5 A2 Factors that are relevant in evaluating the level of threats created by contingent fees include:</p> <ul style="list-style-type: none"> The nature of the engagement. The range of possible fee amounts. The basis for determining the fee. An advance written agreement with the client on the basis of remuneration. Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration. ... 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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		<p>330.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.</p> <p>330.3 Section 330 sets out specific application material relevant to applying the conceptual framework to fees and other types of remuneration.</p>	New introductory material.
240.4	The significance of any such threats shall be evaluated and safeguards applied when necessary to eliminate or reduce them to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • An advance written agreement with the client as to the basis of remuneration; • Disclosure to intended users of the work performed by the professional accountant in public practice and the basis of remuneration; • Quality control policies and procedures; or • Review by an independent third party of the work performed by the professional accountant in public practice. 	<p>330.5 A2 Factors that are relevant in evaluating the level of threats created by contingent fees include:</p> <ul style="list-style-type: none"> • Quality control policies and procedures. • Whether an independent third party is to review the outcome or result of the transaction. • Whether the level of the fee is set by an independent third party such as a regulator or a tax authority. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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		330.5 A3 An example of an action that might be a safeguard to address threats created by contingent fees is having a review by an independent third party of the work performed by the professional accountant.	
Footnote to 240.3	Contingent fees for non-assurance services provided to audit clients and other assurance clients are discussed in Sections 290 and 29 of this Code.	330.5 A4 Requirements and application material related to contingent fees for services provided to audit or review clients and other assurance clients are set out in Parts 4A and 4B, respectively.	

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240.5	In certain circumstances, a professional accountant in public practice may receive a referral fee or commission relating to a client. For example, where the professional accountant in public practice does not provide the specific service required, a fee may be received for referring a continuing client to another professional accountant in public practice or other expert. A professional accountant in public practice may receive a commission from a third party (for example, a software vendor) in connection with the sale of goods or services to a client. Accepting such a referral fee or commission creates a self-interest threat to objectivity and professional competence and due care.	330.6 A1 A self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a professional accountant pays or receives a referral fee or receives a commission relating to a client. For example, such referral fees or commissions include: <ul style="list-style-type: none"> • A fee paid to another accountant for the purposes of obtaining new client work when the client continues as a client of the existing accountant but requires specialist services not offered by that accountant. • A fee received for referring a continuing client to another accountant or other expert where the existing accountant does not provide the specific professional service required by the client. • A commission received from a third party (for example, a software vendor) in connection with the sale of goods or services to a client. 	
240.6	A professional accountant in public practice may also pay a referral fee to obtain a client,	330.7 A1 A factor that is relevant in evaluating the level of threats set out in	Conforming amendments arising

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	for example, where the client continues as a client of another professional accountant in public practice but requires specialist services not offered by the existing accountant. The payment of such a referral fee also creates a self-interest threat to objectivity and professional competence and due care.	paragraph 330.6 A1 is whether the professional accountant has disclosed to the client any referral fee paid to, or received from, another accountant.	from safeguards project. See Safeguards ED-2.
240.7	The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Disclosing to the client any arrangements to pay a referral fee to another professional accountant for the work referred; • Disclosing to the client any arrangements to receive a referral fee for referring the client to another professional accountant in public practice; or • Obtaining advance agreement from the client for commission arrangements in connection with the sale by a third party of goods or services to the client. 	330.8 A1 An example of an action that might be a safeguard to address threats created by the receipt of commission is to obtain advance agreement from the client for commission arrangements in connection with the sale by another party of goods or services to the client.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
240.8	A professional accountant in public practice may purchase all or part of another firm on	330.9 A1 A professional accountant may purchase all or part of another firm on	

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	the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not regarded as commissions or referral fees for the purpose of paragraphs 240.5-240.7 above.	the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not referral fees or commissions for the purposes of this section.	
SECTION 250 Marketing Professional Services			
250.1	When a professional accountant in public practice solicits new work through advertising or other forms of marketing, there may be a threat to compliance with the fundamental principles. For example, a self-interest threat to compliance with the principle of professional behavior is created if services, achievements, or products are marketed in a way that is inconsistent with that principle.		This paragraph not included in the draft ED as it duplicates the requirement in Subsection 115.
250.2	<p>A professional accountant in public practice shall not bring the profession into disrepute when marketing professional services. The professional accountant in public practice shall be honest and truthful, and not:</p> <p>(a) Make exaggerated claims for services offered, qualifications possessed, or experience gained; or</p> <p>(b) Make disparaging references or unsubstantiated comparisons to the work of another.</p> <p>If the professional accountant in public practice is in doubt about whether a proposed</p>		This paragraph duplicates the provisions in subsection 115 and is withdrawn.

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	form of advertising or marketing is appropriate, the professional accountant in public practice <u>shall consider consulting</u> with the relevant professional body.			
SECTION 340 Gifts and Hospitality				
		340.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	New introductory material.
		340.3	Section 340 sets out specific application material relevant to applying the conceptual framework to offers of gifts and hospitality.	
260.1	A professional accountant in public practice, or an immediate or close family member, may be offered gifts and hospitality from a client. Such an offer may create threats to compliance with the fundamental principles. For example, a self-interest or familiarity threat to objectivity may be created if a gift from a client is accepted; an intimidation threat to objectivity may result from the possibility of such offers being made public.	340.2	An offer of gifts or hospitality from a client might create self-interest, familiarity or intimidation threats.	
		340.4 A1	An offer of gifts or hospitality from a client to a professional accountant, or an immediate or close family member of an accountant, might create: <ul style="list-style-type: none"> • A self-interest or familiarity threat to compliance with the principle of objectivity if the offer is accepted. 	

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		<ul style="list-style-type: none"> • An intimidation threat if the acceptance of the offer might be made public. 	
260.2	The existence and significance of any threat will depend on the nature, value, and intent of the offer. Where gifts or hospitality are offered that a reasonable and informed third party, weighing all the specific facts and circumstances, would consider trivial and inconsequential, a professional accountant in public practice may conclude that the offer is made in the normal course of business without the specific intent to influence decision making or to obtain information. In such cases, the professional accountant in public practice may generally conclude that any threat to compliance with the fundamental principles is at an acceptable level.	340.4 A2 The level of any threat created by an offer of a gift or hospitality will depend on the nature, value and intent of the offer, and whether, taking into account the reasonable and informed third party test: <ul style="list-style-type: none"> (a) The offer of gifts or hospitality would be considered to be trivial and inconsequential; or (b) The offer of gifts or hospitality is made in the normal course of business without intent to influence decision-making or to obtain information. 	
260.3	A professional accountant in public practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate the threats or reduce them to an acceptable level. When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in public practice shall not accept such an offer.		

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SECTION 350 Custody of Client Assets				
		350.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	New introductory material.
		350.3	Section 350 sets out specific requirements and application material relevant to applying the conceptual framework to assuming custody of client money or other assets.	
270.1	A professional accountant in public practice shall not assume custody of client monies or other assets unless permitted to do so by law and, if so, in compliance with any additional legal duties imposed on a professional accountant in public practice holding such assets.	R350.4	A professional accountant shall not assume custody of client money or other assets unless permitted to do so by law and in accordance with any conditions under which such custody may be taken.	

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270.2	<p>The holding of client assets creates threats to compliance with the fundamental principles; for example, there is a self-interest threat to professional behavior and may be a self-interest threat to objectivity arising from holding client assets.</p> <p>A professional accountant in public practice entrusted with money (or other assets) belonging to others shall therefore:</p> <ul style="list-style-type: none"> (a) Keep such assets separately from personal or firm assets; (b) Use such assets only for the purpose for which they are intended; (c) At all times be ready to account for those assets and any income, dividends, or gains generated, to any persons entitled to such accounting; and (d) Comply with all relevant laws and regulations relevant to the holding of and accounting for such assets. 	350.2	<p>Holding client assets creates threats, for example, a self-interest threat to compliance with the principles of professional behavior and objectivity.</p>	
		R350.6	<p>A professional accountant entrusted with money or other assets belonging to others shall:</p> <ul style="list-style-type: none"> (a) Comply with the laws and regulations relevant to holding and accounting for the assets; (b) Keep the assets separately from personal or firm assets; (c) Use the assets only for the purpose for which they are intended; and (d) Be ready at all times to account for the assets and any income, dividends, or gains generated, to any individuals entitled to that accounting. 	
270.3	<p>As part of client and engagement acceptance procedures for services that may involve the holding of client assets, a professional accountant in public practice shall make appropriate inquiries about the source of such assets and consider legal and regulatory obligations.</p>	R350.5	<p>As part of client and engagement acceptance procedures related to assuming custody of client money or assets, a professional accountant shall:</p> <ul style="list-style-type: none"> (a) Make inquiries about the source of the assets; and 	

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			(b) Consider related legal and regulatory obligations.	
	For example, if the assets were derived from illegal activities, such as money laundering, a threat to compliance with the fundamental principles would be created. In such situations, the professional accountant shall comply with the provisions of section 225.	350.5 A1	Inquiries about the source of client assets might reveal, for example, that the assets were derived from illegal activities, such as money laundering. In such circumstances, a threat would be created and the provisions of Section 360 would apply.	
280 Objectivity—All Services				
280.1	A professional accountant in public practice shall determine when providing any professional service whether there are threats to compliance with the fundamental principle of objectivity resulting from having interests in, or relationships with, a client or its directors, officers or employees. For example, a familiarity threat to objectivity may be created from a family or close personal or business relationship.	R120.3	The professional accountant shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles set out in Section 110.	Extant Section 280 has been combined with Subsection 112 and the requirements and application material in the conceptual framework set out in Section 120 and provisions in Section 400 regarding applying the conceptual framework to independence.
		R112.1	A professional accountant shall comply with the principle of objectivity, which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.	
280.2	A professional accountant in public practice who provides an assurance service shall be independent of the assurance client. Independence of mind and in appearance is necessary to enable the professional accountant in public practice to express a conclusion, and be seen to express a conclusion, without bias, conflict of interest, or undue influence of others. Sections 290 and	R112.2	A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.	

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	291 provide specific guidance on independence requirements for professional accountants in public practice when performing assurance engagements.	R400.11 A firm performing an audit engagement shall be independent. R400.12 A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an audit engagement.	
280.3	The existence of threats to objectivity when providing any professional service will depend upon the particular circumstances of the engagement and the nature of the work that the professional accountant in public practice is performing.		
280.4	<p>A professional accountant in public practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Withdrawing from the engagement team; • Supervisory procedures; • Terminating the financial or business relationship giving rise to the threat; • Discussing the issue with higher levels of management within the firm; or • Discussing the issue with those charged with governance of the client. <p>If safeguards cannot eliminate or reduce the threat to an acceptable level, the professional</p>		

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	accountant shall decline or terminate the relevant engagement.		
PART 4A – INDEPEDENCE FOR AUDITS AND REVIEWS			
290.1	This section addresses the independence requirements for audit engagements and review engagements, which are assurance engagements in which a professional accountant in public practice expresses a conclusion on financial statements. Such engagements comprise audit and review engagements to report on a complete set of financial statements and a single financial statement.	400.6	When performing audit engagements, the Code requires firms to comply with the fundamental principles and be independent. Part 4A sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 120 applies to independence as it does to the fundamental principles set out in Section 110.
	Independence requirements for assurance engagements that are not audit or review engagements are addressed in Section 291.	400.10	Independence standards for assurance engagements that are not audit or review engagements are set out in Part 4B– <i>Independence Standards for Other Assurance Engagements</i> .
290.2	In certain circumstances involving audit engagements where the audit report includes a restriction on use and distribution and provided certain conditions are met, the independence requirements in this section may be modified as provided in paragraphs 290.500 to 290.514. The modifications are not	400.9	An audit report might include a restriction on use and distribution. If it does and the conditions set out in Section 800 are met, then the independence requirements in Part 4A (excluding Section 800) may be modified as provided in Section 800.

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	permitted in the case of an audit of financial statements required by law or regulation.		
290.3	<p>In this section, the term(s):</p> <p>(a) "Audit," "audit team," "audit engagement," "audit client" and "audit report" includes review, review team, review engagement, review client and review report; and</p> <p>(b) "Firm" includes network firm, except where otherwise stated.</p>	<p>400.2 Part 4A applies to both audit and review engagements. The term(s) "audit," "audit team," "audit engagement," "audit client," and "audit report" apply equally to review, review team, review engagement, review client and review engagement report.</p> <p>400.3 In Part 4A, the term "professional accountant" refers to professional accountants in public practice and their firms.</p>	<p>Paragraph 290.3(b) is no longer relevant because network firm is specifically referenced where necessary.</p> <p>New introductory material.</p>
290.4	In the case of audit engagements, it is in the public interest and, therefore, required by this Code, that members of audit teams, firms and network firms shall be independent of audit clients.	400.1 It is in the public interest and required by the Code that professional accountants in public practice be independent when performing audit or review engagements.	
290.5	The objective of this section is to assist firms and members of audit teams in applying the conceptual framework approach described below to achieving and maintaining independence.	400.7 Part 4A describes facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence. Firms are required to apply the conceptual framework to threats to independence as well as to threats to compliance with the fundamental principles that are linked to independence. Part 4A describes	Paragraph 290.5 has been expanded to explain the conceptual framework approach for clarity.

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		potential threats and safeguards or other actions that might be appropriate to address any such threats. It also identifies some situations where the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.	
290.6	<p>Independence comprises:</p> <p>(a) Independence of Mind The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.</p> <p>(b) Independence in Appearance The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the audit team's, integrity, objectivity or professional skepticism has been compromised.</p>	<p>400.5 Independence is linked to the principles of objectivity and integrity. It comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit team member's, integrity, objectivity</p>	Also included the conceptual framework.

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		<p style="text-align: center;">or professional skepticism has been compromised.</p> <p style="text-align: center;">In Part 4A, references to an individual or firm being “independent” mean that the individual or firm has complied with the provisions of this Part.</p>	
290.7	<p>The conceptual framework approach shall be applied by professional accountants to:</p> <p>(a) Identify threats to independence;</p> <p>(b) Evaluate the significance of the threats identified; and</p> <p>(c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level.</p> <p>When the professional accountant determines that appropriate safeguards are not available or cannot be applied to eliminate the threats or reduce them to an acceptable level, the professional accountant shall eliminate the circumstance or relationship creating the threats or decline or terminate the audit engagement.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>	<p>R400.11 A firm performing an audit engagement shall be independent.</p> <p>R400.12 A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an audit engagement.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.8	Many different circumstances, or combinations of circumstances, may be relevant in assessing threats to independence. It is impossible to define every	400.7 Part 4A describes facts and circumstances, including professional activities, interests and relationships,	

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	<p>situation that creates threats to independence and to specify the appropriate action. Therefore, this Code establishes a conceptual framework that requires firms and members of audit teams to identify, evaluate, and address threats to independence. The conceptual framework approach assists professional accountants in practice in complying with the ethical requirements in this Code. It accommodates many variations in circumstances that create threats to independence and can deter a professional accountant from concluding that a situation is permitted if it is not specifically prohibited.</p>	<p>that create or might create threats to independence. Firms are required to apply the conceptual framework to threats to independence as well as to threats to compliance with the fundamental principles that are linked to independence. Part 4A describes potential threats, and safeguards or other actions that might be appropriate to address any such threats. It also identifies some situations where the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.</p>	
290.9	<p>Paragraphs 290.100 and onwards describe how the conceptual framework approach to independence is to be applied. These paragraphs do not address all the circumstances and relationships that create or may create threats to independence.</p>		

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290.10	In deciding whether to accept or continue an engagement, or whether a particular individual may be a member of the audit team, a firm shall identify and evaluate threats to independence. If the threats are not at an acceptable level, and the decision is whether to accept an engagement or include a particular individual on the audit team, the firm shall determine whether safeguards are available to eliminate the threats or reduce them to an acceptable level. If the decision is whether to continue an engagement, the firm shall determine whether any existing safeguards will continue to be effective to eliminate the threats or reduce them to an acceptable level or whether other safeguards will need to be applied or whether the engagement needs to be terminated. Whenever new information about a threat to independence comes to the attention of the firm during the engagement, the firm shall evaluate the significance of the threat in accordance with the conceptual framework approach.	<p>R120.9 If the professional accountant becomes aware of new information or changes in facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the accountant shall re-evaluate and address that threat accordingly.</p> <p>120.9 A2 If new information results in the identification of a new threat, the professional accountant is required to evaluate and, as appropriate, address this threat (Ref: Paras. R120.7 and R120.10).</p>	Building on the material in last sentence in paragraph 290.10 of the extant Code, a more robust requirement with supporting application has been added to the conceptual framework regarding the consideration of new information or changes in facts and circumstances.
290.11	Throughout this section, reference is made to the significance of threats to independence. In evaluating the significance of a threat, qualitative as well as quantitative factors shall be taken into account.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text

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290.12	<p>This section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by International Standards on Quality Control (ISQCs) to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical requirements. In addition, International Standards on Auditing (ISAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.</p>	<p>400.4 <i>International Standard on Quality Control 1 (ISQC 1)</i>¹ requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements, maintain independence where required by relevant ethics requirements. <i>International Standards on Auditing (ISAs)</i> and <i>International Standards on Review Engagements (ISREs)</i> establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of Part 4A do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an audit team), in</p>	<p>Extant and new material.</p>

¹ *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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		accordance with ISQC 1. In addition, individual professional accountants remain responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.	
290.13	If a firm is deemed to be a network firm, the firm shall be independent of the audit clients of the other firms within the network (unless otherwise stated in this Code).	R400.51 A network firm shall be independent of the audit clients of the other firms within the network as required by Part 4A.	
	The independence requirements in this section that apply to a network firm apply to any entity, such as a consulting practice or professional law practice, that meets the definition of a network firm irrespective of whether the entity itself meets the definition of a firm.	400.51 A1 The independence requirements in Part 4A that apply to a network firm apply to any entity that meets the definition of a network firm. It is not necessary for the entity also to meet the definition of a firm. For example, a consulting practice or professional law practice might be a network firm but not a firm.	
290.14	To enhance their ability to provide professional services, firms frequently form larger structures with other firms and entities. Whether these larger structures create a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct. For example, a larger structure may be aimed only at facilitating the referral of work, which in itself does not meet	400.50 A1 Firms frequently form larger structures with other firms and entities to enhance their ability to provide professional services. Whether these larger structures create a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct.	

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	the criteria necessary to constitute a network. Alternatively, a larger structure might be such that it is aimed at co-operation and the firms share a common brand name, a common system of quality control, or significant professional resources and consequently is deemed to be a network.	400.53 A1 There might be other arrangements between firms and entities within a larger structure that constitute a network in addition to those arrangements set out in paragraph R400.53. However, a larger structure might be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a network.	
290.15	The judgment as to whether the larger structure is a network shall be made in light of whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that the entities are associated in such a way that a network exists. This judgment shall be applied consistently throughout the network.	R400.52 When associated with a larger structure of other firms and entities, a firm shall: <ul style="list-style-type: none"> (a) Exercise professional judgment to determine whether a network is created by such a larger structure; (b) Consider whether a reasonable and informed third party would be likely to conclude that the other firms and entities in the larger structure are associated in such a way that a network exists; and (c) Apply such judgment consistently throughout such a larger structure. 	
290.16	Where the larger structure is aimed at co-operation and it is clearly aimed at profit or	R400.53 When determining whether a network is created by a larger structure of	

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	<p>cost sharing among the entities within the structure, it is deemed to be a network. However, the sharing of immaterial costs does not in itself create a network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals, or training courses, this would not in itself create a network. Further, an association between a firm and an otherwise unrelated entity to jointly provide a service or develop a product does not in itself create a network.</p>	<p>firms and other entities, a firm shall conclude that a network exists when such a larger structure is aimed at co-operation and:</p> <p>(a) It is clearly aimed at profit or cost sharing among the entities within the structure. (Ref: Para. 400.53 A2); ...</p> <p>400.53 A2 The sharing of immaterial costs does not in itself create a network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals or training courses, this would not in itself create a network. Further, an association between a firm and an otherwise unrelated entity jointly to provide a service or develop a product does not in itself create a network. (Ref: Para. R400.53(a)).</p>	
290.17	<p>Where the larger structure is aimed at cooperation and the entities within the structure share common ownership, control or management, it is deemed to be a network. This could be achieved by contract or other means.</p>	<p>R400.53 When determining ...aimed at co-operation and:</p> <p>(b) The entities within the structure share common ownership, control or management. (Ref: Para. 400.53 A3);...</p> <p>400.53 A3 Common ownership, control or management might be achieved by</p>	

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		contract or other means. (Ref: Para. R400.53(b)).	
290.18	Where the larger structure is aimed at co-operation and the entities within the structure share common quality control policies and procedures, it is deemed to be a network. For this purpose, common quality control policies and procedures are those designed, implemented and monitored across the larger structure.	<p>R400.53 When determining ...aimed at co-operation and:</p> <p>(c) The entities within the structure share common quality control policies and procedures. (Ref: Para. 400.53 A4);...</p> <p>400.53 A4 Common quality control policies and procedures are those designed, implemented and monitored across the larger structure. (Ref: Para. R400.53(c)).</p>	
290.19	Where the larger structure is aimed at co-operation and the entities within the structure share a common business strategy, it is deemed to be a network. Sharing a common business strategy involves an agreement by the entities to achieve common strategic objectives. An entity is not deemed to be a network firm merely because it co-operates with another entity solely to respond jointly to a request for a proposal for the provision of a professional service.	<p>R400.53 When determining ...aimed at co-operation and:</p> <p>(d) The entities within the structure share a common business strategy. (Ref: Para. 400.53 A5);...</p> <p>400.53 A5 Sharing a common business strategy involves an agreement by the entities to achieve common strategic objectives. An entity is not a network firm merely because it co-operates with another entity solely to respond jointly to a request for a proposal for the provision of a professional service. (Ref: Para. R400.53(d)).</p>	

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290.20	Where the larger structure is aimed at co-operation and the entities within the structure share the use of a common brand name, it is deemed to be a network. A common brand name includes common initials or a common name. A firm is deemed to be using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name, when a partner of the firm signs an audit report.	<p>R400.53 When determining ...aimed at co-operation and:</p> <p>(e) The entities within the structure share the use of a common brand name. (Ref: Para. 400.53 A6, 400.53 A7); or</p> <p>400.53 A6 A common brand name includes common initials or a common name. A firm is using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name when a partner of the firm signs an audit report. (Ref: Para. R400.53(e)).</p>	
290.21	Even though a firm does not belong to a network and does not use a common brand name as part of its firm name, it may give the appearance that it belongs to a network if it makes reference in its stationery or promotional materials to being a member of an association of firms. Accordingly, if care is not taken in how a firm describes such memberships, a perception may be created that the firm belongs to a network.	400.53 A7 Even if a firm does not belong to a network and does not use a common brand name as part of its firm name, it might appear to belong to a network if its stationery or promotional materials refer to the firm being a member of an association of firms. Accordingly, if care is not taken in how a firm describes such membership, a perception might be created that the firm belongs to a network. (Ref: Para. R400.53(e)).	
290.22	If a firm sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the component may	R400.54 If a firm or a network sells a component of its practice, and the component continues to use all or	

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	<p>continue to use the name of the firm, or an element of the name, even though it is no longer connected to the firm. In such circumstances, while the two entities may be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at co-operation and are, therefore, not network firms. Those entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.</p>	<p>400.54 A1 part of the firm's or network's name for a limited time, the relevant entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.</p> <p>The agreement for the sale of a component of a practice might provide that, for a limited period of time, the sold component can continue to use all or part of the name of the firm or the network, even though it is no longer connected to the firm or the network. In such circumstances, while the two entities might be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation. The two entities are therefore not network firms.</p>	
290.23	<p>Where the larger structure is aimed at co-operation and the entities within the structure share a significant part of professional resources, it is deemed to be a network. Professional resources include:</p> <ul style="list-style-type: none"> • Common systems that enable firms to exchange information such as client data, billing and time records; • Partners and staff; 	<p>R400.53 When determining ...aimed at co-operation and:</p> <p>(f) The entities within the structure share a significant part of professional resources. (Ref: Para 400.53 A8, 400.53 A9)</p> <p>400.53 A8 Professional resources include:</p> <ul style="list-style-type: none"> • Common systems that enable firms to exchange information 	

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<ul style="list-style-type: none"> • Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements; • Audit methodology or audit manuals; and • Training courses and facilities. 	<p style="text-align: right;">such as client data, billing and time records.</p> <ul style="list-style-type: none"> • Partners and other personnel. • Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements. • Audit methodology or audit manuals. • Training courses and facilities. (Ref: Para. R400.53(f)). 	
<p>290.24</p> <p>The determination of whether the professional resources shared are significant, and therefore the firms are network firms, shall be made based on the relevant facts and circumstances. Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant. The same applies to a common training endeavor. Where, however, the shared resources involve the exchange of people or information, such as where staff are drawn from a shared pool, or a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed</p>	<p>400.53 A9</p> <p>Whether the shared professional resources are significant depends on the circumstances. For example:</p> <ul style="list-style-type: none"> • The shared resources might be limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information. In such circumstances, it is unlikely that the shared resources would be significant. The same applies to a common training endeavor. • The shared resources might involve the exchange of personnel or information, such as where personnel are drawn 	

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	third party is more likely to conclude that the shared resources are significant.	from a shared pool, or a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow. In such circumstances, a reasonable and informed third party is more likely to conclude that the shared resources are significant. (Ref: Para. R400.52(f)).	
290.25	<p>Section 290 contains additional provisions that reflect the extent of public interest in certain entities. For the purpose of this section, public interest entities are:</p> <p>(a) <u>All listed entities; and</u></p> <p>(b) <u>Any entity:</u></p> <p style="padding-left: 20px;">(i) <u>Defined by regulation or legislation as a public interest entity; or</u></p> <p style="padding-left: 20px;">(ii) <u>For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated</u></p>	400.8 Some of the requirements and application material set out in Part 4A reflect the extent of public interest in certain entities which are defined to be public interest entities...	The underlined public interest entity definition is included in the Glossary.

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	<u>by any relevant regulator, including an audit regulator.</u>		
290.26	<p>Firms and member bodies are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:</p> <ul style="list-style-type: none"> • The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds; • Size; and • Number of employees. 	<p>400.8 ...Firms are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:</p> <ul style="list-style-type: none"> • The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include financial institutions, such as banks and insurance companies, and pension funds. • Size. • Number of employees. 	
290.27	<p>In the case of an audit client that is a listed entity, references to an audit client in this section include related entities of the client (unless otherwise stated). For all other audit clients, references to an audit client in this section include related entities over which the client has direct or indirect control. When the audit team knows or has reason to believe that a relationship or circumstance involving another related entity of the client is relevant</p>	<p>R400.20 As defined, an audit client that is a listed entity includes all of its related entities. For all other entities, references to an audit client in Part 4A include related entities over which the client has direct or indirect control. When the audit team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is</p>	<p>The Glossary definition of “audit client” cross refers to this Part.</p>

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	to the evaluation of the firm's independence from the client, the audit team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.	relevant to the evaluation of the firm's independence from the client, the audit team shall include that related entity when identifying, evaluating and addressing threats to independence.	
290.28	<p>Even when not required by the Code, applicable auditing standards, law or regulation, regular communication is encouraged between the firm and those charged with governance of the audit client regarding relationships and other matters that might, in the firm's opinion, reasonably bear on independence. Such communication enables those charged with governance to:</p> <ul style="list-style-type: none"> (a) Consider the firm's judgments in identifying and evaluating threats to independence; (b) Consider the appropriateness of safeguards applied to eliminate them or reduce them to an acceptable level; and (c) Take appropriate action. <p>Such an approach can be particularly helpful with respect to intimidation and familiarity threats.</p>	<p>400.40 A2 Even when not required by the Code, applicable professional standards, laws or regulations, regular communication is encouraged between a firm and those charged with governance of the client regarding relationships and other matters that might, in the firm's opinion, reasonably bear on independence. Such communication enables those charged with governance to:</p> <ul style="list-style-type: none"> (a) Consider the firm's judgments in identifying and evaluating threats; (b) Consider how threats have been addressed, including the appropriateness of safeguards when they are available or capable of being applied; and (c) Take appropriate action. 	

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		Such an approach can be particularly helpful with respect to intimidation and familiarity threats.	
290.28 (cont'd)	In complying with requirements in this section to communicate with those charged with governance, the firm shall determine, having regard to the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the firm communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, the firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.	<p>400.40 A1 Paragraph R300.9 sets out requirements with respect to communicating with those charged with governance.</p> <p>R300.9 When communicating with those charged with governance in accordance with the Code, a professional accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary.</p> <p>300.9 A1 In determining with whom to communicate, a professional accountant might consider:</p> <ul style="list-style-type: none"> (a) The nature and importance of the circumstances; and (b) The matter to be communicated. 	

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		300.9 A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.	
290.29	<p>Documentation provides evidence of the professional accountant's judgments in forming conclusions regarding compliance with independence requirements. The absence of documentation is not a determinant of whether a firm considered a particular matter nor whether it is independent.</p> <p>The professional accountant shall document conclusions regarding compliance with independence requirements, and the substance of any relevant discussions that support those conclusions. Accordingly:</p> <p>(a) When safeguards are required to reduce a threat to an acceptable level, the professional accountant shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level; and</p> <p>(b) When a threat required significant analysis to determine whether</p>	<p>R400.60 A firm shall document conclusions regarding compliance with this Part and the substance of any relevant discussions that support those conclusions. In particular:</p> <p>(a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and</p> <p>(b) When a threat requires significant analysis, and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.</p> <p>400.60 A1 Documentation provides evidence of the firm's judgments when forming conclusions regarding compliance with Part 4A. However, a lack of</p>	

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	safeguards were necessary and the professional accountant concluded that they were not because the threat was already at an acceptable level, the professional accountant shall document the nature of the threat and the rationale for the conclusion.	documentation does not determine whether a firm considered a particular matter or whether the firm is independent.	
290.30	Independence from the audit client is required both during the engagement period and the period covered by the financial statements.	R400.30 Independence as required by this Part shall be maintained during both: (a) The engagement period; and (b) The period covered by the financial statements.	
	The engagement period starts when the audit team begins to perform audit services. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has terminated or the issuance of the final audit report.	400.30 A1 The engagement period starts when the audit team begins to perform audit services. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.	
290.31	When an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by: (a) Financial or business relationships with the audit client during or after the period	R400.31 If an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by: (a) Financial or business relationships with the audit	Network firm explicitly stated for clarity.

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	<p>covered by the financial statements but before accepting the audit engagement; or</p> <p>(b) Previous services provided to the audit client.</p>	<p>client during or after the period covered by the financial statements but before accepting the audit engagement; or</p> <p>(b) Previous services provided to the audit client by the firm or a network firm.</p>	
290.32	<p>If a non-assurance service was provided to the audit client during or after the period covered by the financial statements but before the audit team begins to perform audit services and the service would not be permitted during the period of the audit engagement, the firm shall evaluate any threat to independence created by the service. If a threat is not at an acceptable level, the audit engagement shall only be accepted if safeguards are applied to eliminate any threats or reduce them to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Not including personnel who provided the non-assurance service as members of the audit team; • Having a professional accountant review the audit and non-assurance work as appropriate; or • Engaging another firm to evaluate the results of the non-assurance service or 	<p>R400.32 If a non-assurance service was provided to an audit client during or after the period covered by the financial statements, but before the audit team begins to perform audit services, and the service would not be permitted during the engagement period, the firm shall evaluate the level of the threat to independence created by the service. If the threats are not at an acceptable level, the firm shall only accept the audit engagement if the threats are addressed.</p>	
		<p>400.32 A1 Examples of actions that might be safeguards to address threats to independence include:</p> <ul style="list-style-type: none"> • Not including individuals who provided the non-assurance service as members of the audit team. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service.	<ul style="list-style-type: none"> • Having a professional accountant review the audit and non-assurance work as appropriate. • Engaging another firm to evaluate the results of the non-assurance service. • Having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	
290.33	When, as a result of a merger or acquisition, an entity becomes a related entity of an audit client, the firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account available safeguards, could affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition.	400.70 A1 An entity might become a related entity of an audit client because of a merger or acquisition. A threat to independence, and therefore, to the ability of a firm to continue an audit engagement, might be created by previous or current interests or relationships between a firm or network firm and such a related entity.	Network firm explicitly stated for clarity.
		R400.71 In the circumstances set out in paragraph 400.70 A1: <ul style="list-style-type: none"> (a) The firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account how any actions 	

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		taken to address the threats, might affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition; and ...	
290.34	The firm shall take steps necessary to terminate, by the effective date of the merger or acquisition, any current interests or relationships that are not permitted under this Code.	(b) Subject to paragraph R400.72, the firm shall take steps to end any interests or relationships that are not permitted by the Code by the effective date of the merger or acquisition.	Part of this text is derived from 290.33.
	However, if such a current interest or relationship cannot reasonably be terminated by the effective date of the merger or acquisition, for example, because the related entity is unable by the effective date to effect an orderly transition to another service provider of a non-assurance service provided by the firm, the firm shall evaluate the threat that is created by such interest or relationship.	400.72 A1 In some circumstances, it might not be reasonably possible to end an interest or relationship creating a threat by the effective date of the merger or acquisition. This might be because the firm provides a non-assurance service to the related entity, which the entity is not able to transition in an orderly manner to another provider by that date.	
		R400.72 As an exception to paragraph R400.71(b), if the interest or relationship cannot reasonably be ended by the effective date of the merger or acquisition, the firm shall:	

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		(a) Evaluate the threat that is created by the interest or relationship; and ...	
	<p>The more significant the threat, the more likely the firm's objectivity will be compromised and it will be unable to continue as auditor. The significance of the threat will depend upon factors such as:</p> <ul style="list-style-type: none"> • The nature and significance of the interest or relationship; • The nature and significance of the related entity relationship (for example, whether the related entity is a subsidiary or parent); and • The length of time until the interest or relationship can reasonably be terminated. 	<p>400.72 A2 Factors that are relevant in evaluating the level of any threats created by mergers and acquisitions include:</p> <ul style="list-style-type: none"> • The nature and significance of the interest or relationship. • The nature and significance of the related entity relationship (for example, whether the related entity is a subsidiary or parent). • The length of time until the interest or relationship can reasonably be ended. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
	<p>The firm shall discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be terminated by the effective date of the merger or acquisition and the evaluation of the significance of the threat.</p>	<p>R400.72 As an exception to paragraph R400.71(b), if the interest or relationship cannot reasonably be ended by the effective date of the merger or acquisition, the firm shall:</p> <p>...</p> <p>(b) Discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be ended by the effective date and the</p>	

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		evaluation of the level of the threat.	
290.35	<p>If those charged with governance request the firm to continue as auditor, the firm shall do so only if:</p> <p>(a) The interest or relationship will be terminated as soon as reasonably possible and in all cases within six months of the effective date of the merger or acquisition;</p> <p>(b) Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted under this section, will not be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and</p> <p>Appropriate transitional measures will be applied, as necessary, and discussed with those charged with governance.</p>	<p>R400.73 If, following the discussion set out in paragraph R400.72(b), those charged with governance request the firm to continue as the auditor the firm shall do so only if:</p> <p>(a) The interest or relationship will be ended as soon as reasonably possible but no later than six months after the effective date of the merger or acquisition;</p> <p>(b) Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted by Section 600 and its subsections, will not be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and</p> <p>(c) Transitional measures will be applied, as necessary, and discussed with those charged with governance.</p>	

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	<p>Examples of transitional measures include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the audit or non-assurance work as appropriate; • Having a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, perform a review that is equivalent to an engagement quality control review; or • Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service. 	<p>400.73 A1 Examples of such transitional measures include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the audit or non-assurance work as appropriate. • Having a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, perform a review that is equivalent to an engagement quality control review. • Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	
290.36	<p>The firm may have completed a significant amount of work on the audit prior to the effective date of the merger or acquisition and may be able to complete the remaining audit procedures within a short period of time. In such circumstances, if those charged with</p>	<p>R400.74 The firm might have completed a significant amount of work on the audit prior to the effective date of the merger or acquisition and might be able to complete the remaining audit procedures within a short period of</p>	

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	<p>governance request the firm to complete the audit while continuing with an interest or relationship identified in paragraph 290.33, the firm shall do so only if it:</p> <p>(a) Has evaluated the significance of the threat created by such interest or relationship and discussed the evaluation with those charged with governance;</p> <p>(b) Complies with the requirements of paragraph 290.35(b)–(c); and</p> <p>(c) Ceases to be the auditor no later than the issuance of the audit report.</p>	<p>time. In such circumstances, if those charged with governance request the firm to complete the audit while continuing with an interest or relationship identified in paragraph 400.70 A1, the firm shall only do so if it:</p> <p>(a) Has evaluated the level of the threat and discussed the results with those charged with governance;</p> <p>(b) Complies with the requirements of paragraph R400.73(a) to (c); and</p> <p>(c) Ceases to be the auditor no later than the date that the audit report is issued.</p>	
290.37	<p>When addressing previous and current interests and relationships covered by paragraphs 290.33 to 290.36, the firm shall determine whether, even if all the requirements could be met, the interests and relationships create threats that would remain so significant that objectivity would be compromised and, if so, the firm shall cease to be the auditor.</p>	<p>R400.75 Even if all the requirements of paragraphs R400.71 to R400.74 could be met, the firm shall determine whether the circumstances identified in paragraph 400.70 A1 create threats that cannot be addressed such that objectivity would be compromised. If so, the firm shall cease to be the auditor.</p>	
290.38	<p>The professional accountant shall document any interests or relationships covered by paragraphs 290.34 and 36 that will not be</p>	<p>R400.76 The firm shall document:</p> <p>(a) Any interests or relationships identified in paragraph 400.70</p>	

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	<p>terminated by the effective date of the merger or acquisition and the reasons why they will not be terminated, the transitional measures applied, the results of the discussion with those charged with governance, and the rationale as to why the previous and current interests and relationships do not create threats that would remain so significant that objectivity would be compromised.</p>	<p>A1 that will not be ended by the effective date of the merger or acquisition and the reasons why they will not be ended;</p> <p>(b) The transitional measures applied;</p> <p>(c) The results of the discussion with those charged with governance; and</p> <p>(d) The reasons why the previous and current interests and relationships do not create threats such that objectivity would be compromised.</p>	
290.39	<p>A breach of a provision of this section may occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. A consequence of a breach may be that termination of the audit engagement is necessary.</p>	400.80 A1 A breach of a provision of Part 4A might occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. It might be necessary to end the audit engagement because of the breach.	
290.40	<p>When the firm concludes that a breach has occurred, the firm shall terminate, suspend or eliminate the interest or relationship that caused the breach and address the consequences of the breach.</p>	<p>R400.80 If a firm concludes that a breach of a requirement in Part 4A has occurred, the firm shall:</p> <p>(a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach; ...</p>	

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290.41	When a breach is identified, the firm shall consider whether there are any legal or regulatory requirements that apply with respect to the breach and, if so, shall comply with those requirements. The firm shall consider reporting the breach to a member body, relevant regulator or oversight authority if such reporting is common practice or is expected in the particular jurisdiction.	<p>R400.80 If a firm concludes that a breach of a requirement in Part 4A has occurred, the firm shall: ...</p> <p>(b) Consider whether any legal or regulatory requirements apply to the breach and, if so:</p> <p>(i) Comply with those requirements; and</p> <p>(ii) Consider reporting the breach to a professional authority, regulator or oversight body if such reporting is common practice or expected in the relevant jurisdiction;</p> <p>...</p>	
290.42	When a breach is identified, the firm shall, in accordance with its policies and procedures, promptly communicate the breach to the engagement partner, those with responsibility for the policies and procedures relating to independence, other relevant personnel in the firm, and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action.	<p>R400.80 If a firm concludes that a breach of a requirement in Part 4A has occurred, the firm shall: ...</p> <p>(c) Promptly communicate the breach in accordance with its policies and procedures to:</p> <p>(i) The engagement partner;</p> <p>(ii) Those with responsibility for the policies and procedures relating to independence;</p> <p>(iii) Other relevant personnel in the firm and, where</p>	

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		<p style="text-align: right;">appropriate, the network; and</p> <p style="text-align: right;">(iv) Those subject to the independence requirements in Part 4A who need to take appropriate action;</p> <p style="text-align: right;">(d) Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue an audit report; and ...</p>	
	<p>The firm shall evaluate the significance of that breach and its impact on the firm's objectivity and ability to issue an audit report. The significance of the breach will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature and duration of the breach; • The number and nature of any previous breaches with respect to the current audit engagement; • Whether a member of the audit team had knowledge of the interest or relationship that caused the breach; • Whether the individual who caused the breach is a member of the audit team or another individual for whom there are independence requirements; • If the breach relates to a member of the audit team, the role of that individual; 	<p>400.80 A2 The significance and impact of a breach on the firm's objectivity and ability to issue an audit report will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature and duration of the breach. • The number and nature of any previous breaches with respect to the current audit engagement. • Whether an audit team member had knowledge of the interest or relationship that created the breach. • Whether the individual who created the breach is an audit team member or another individual for whom there are independence requirements. 	

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	<ul style="list-style-type: none"> • If the breach was caused by the provision of a professional service, the impact of that service, if any, on the accounting records or the amounts recorded in the financial statements on which the firm will express an opinion; and • The extent of the self-interest, advocacy, intimidation or other threats created by the breach. 	<ul style="list-style-type: none"> • If the breach relates to an audit team member, the role of that individual. • If the breach was created by providing a professional service, the impact of that service, if any, on the accounting records or the amounts recorded in the financial statements on which the firm will express an opinion. • The extent of the self-interest, advocacy, intimidation or other threats created by the breach. 	
290.43	<p>Depending upon the significance of the breach, it may be necessary to terminate the audit engagement or it may be possible to take action that satisfactorily addresses the consequences of the breach. The firm shall determine whether such action can be taken and is appropriate in the circumstances. In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken and all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that the firm's objectivity would be compromised and</p>	<p>R400.80 If a firm concludes that a breach of a requirement in Part 4A has occurred, the firm shall: ...</p> <p>(e) Depending on the significance of the breach, determine:</p> <ul style="list-style-type: none"> (i) Whether to end the audit engagement; or (ii) Whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances. 	

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	therefore the firm is unable to issue an audit report.	In making the determination in paragraph R400.80(e)(ii), the firm shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue an audit report.	
290.44	<p>Examples of actions that the firm may consider include:</p> <ul style="list-style-type: none"> • Removing the relevant individual from the audit team; • Conducting an additional review of the affected audit work or re-performing that work to the extent necessary, in either case using different personnel; • Recommending that the audit client engage another firm to review or re-perform the affected audit work to the extent necessary; and • Where the breach relates to a non-assurance service that affects the accounting records or an amount that is recorded in the financial statements, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non- 	<p>400.80 A3 Depending upon the significance of the breach, examples of actions that the firm might consider to address the breach satisfactorily include:</p> <ul style="list-style-type: none"> • Removing the relevant individual from the audit team. • Using different individuals to conduct an additional review of the affected audit work or to re-perform that work to the extent necessary. • Recommending that the audit client engage another firm to review or re-perform the affected audit work to the extent necessary. • If the breach relates to a non-assurance service that affects the accounting records or an 	

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	assurance service to the extent necessary to enable it to take responsibility for the service.	<p>amount recorded in the financial statements:</p> <ul style="list-style-type: none"> ○ Engaging another firm to evaluate the results of the non-assurance service. ○ Having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	
290.45	If the firm determines that action cannot be taken to satisfactorily address the consequences of the breach, the firm shall inform those charged with governance as soon as possible and take the steps necessary to terminate the audit engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the audit engagement. Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.	R400.81 If the firm determines that it cannot take action to address the consequences of the breach satisfactorily, the firm shall inform those charged with governance as soon as possible and take the steps necessary to end the audit engagement in compliance with any applicable legal or regulatory requirements. Where ending the engagement is not permitted by laws or regulations, the firm shall comply with any reporting or disclosure requirements.	
290.46	If the firm determines that action can be taken to satisfactorily address the consequences of	R400.82 If the firm determines that it can take action to address the consequences	

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<p>the breach, the firm shall discuss the breach and the action it has taken or proposes to take with those charged with governance. The firm shall discuss the breach and the action as soon as possible, unless those charged with governance have specified an alternative timing for reporting less significant breaches. The matters to be discussed shall include:</p> <ul style="list-style-type: none"> • The significance of the breach, including its nature and duration; • How the breach occurred and how it was identified; • The action taken or proposed to be taken and the firm's rationale for why the action will satisfactorily address the consequences of the breach and enable it to issue an audit report; • The conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion; and • Any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring. 	<p>of the breach satisfactorily, the firm shall discuss with those charged with governance:</p> <ul style="list-style-type: none"> (a) The significance of the breach, including its nature and duration; (b) How the breach occurred and how it was identified; (c) The action proposed or taken and why the action will satisfactorily address the consequences of the breach and enable the firm to issue an audit report; (d) The conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion; and (e) Any steps proposed or taken by the firm to reduce or avoid the risk of further breaches occurring. <p>Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.</p>	

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290.47	<p>The firm shall communicate in writing with those charged with governance all matters discussed in accordance with paragraph 290.46 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach. The communication shall include a description of the firm's policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained and any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring.</p>	<p>400.83 A1 Paragraphs R300.9 and R300.10 set out requirements with respect to communicating with those charged with governance.</p> <p>R400.84 With respect to breaches, the firm shall communicate in writing to those charged with governance:</p> <p style="margin-left: 20px;">(a) All matters discussed in accordance with paragraph R400.82 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach; and</p> <p style="margin-left: 20px;">(b) A description of the firm's policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained and any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring.</p>	
	<p>If those charged with governance do not concur that the action satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to terminate the</p>	<p>R400.85 If those charged with governance do not concur that the action proposed by the firm in accordance with paragraph R400.80(e)(ii) satisfactorily</p>	<p>The underlined text is included in R400.81.</p>

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	audit engagement, where permitted by law or regulation, in compliance with any applicable legal or regulatory requirements relevant to terminating the audit engagement. <u>Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.</u>	addresses the consequences of the breach, the firm shall take the steps necessary to end the audit engagement in accordance with paragraph R400.81.	
290.48	If the breach occurred prior to the issuance of the previous audit report, the firm shall comply with this section in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue an audit report in the current period. The firm shall also consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued audit reports, and the possibility of withdrawing such audit reports, and discuss the matter with those charged with governance.	<p>R400.86 If the breach occurred prior to the issuance of the previous audit report, the firm shall comply with the provisions of Part 4A in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue an audit report in the current period.</p> <p>R400.87 The firm shall also:</p> <ul style="list-style-type: none"> (a) Consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued audit reports, and the possibility of withdrawing such audit reports; and (b) Discuss the matter with those charged with governance. 	
290.49	The firm shall document the breach, the action taken, key decisions made and all the matters discussed with those charged with governance and any discussions with a	<p>R400.88 In complying with the requirements in paragraphs R400.80 to R400.87, the firm shall document:</p> <ul style="list-style-type: none"> (a) The breach; 	

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	<p>member body, relevant regulator or oversight authority. When the firm continues with the audit engagement, the matters to be documented shall also include the conclusion that, in the firm’s professional judgment, objectivity has not been compromised and the rationale for why the action taken satisfactorily addressed the consequences of the breach such that the firm could issue an audit report.</p>	<p>(b) The action taken; (c) The key decisions made; (d) All the matters discussed with those charged with governance; and (e) Any discussions with a professional body, regulator or oversight authority.</p> <hr/> <p>R400.89 If the firm continues with the audit engagement, it shall also document the conclusion that, in the firm’s professional judgment, objectivity has not been compromised and why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue an audit report.</p>	
290.100	<p>Paragraphs 290.102 to 290.226 describe specific circumstances and relationships that create or may create threats to independence. The paragraphs describe the potential threats and the types of safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level and identify certain situations where no safeguards could reduce the threats to an acceptable level. The paragraphs do not describe all of the circumstances and relationships that create or may create a threat to independence. The</p>		<p>Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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	firm and the members of the audit team shall evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 200.12 to 200.15, can be applied when necessary to eliminate the threats to independence or reduce them to an acceptable level.		
Section 510 Financial Interests			
290.101	Paragraphs 290.102 to 290.125 contain references to the materiality of a financial interest, loan, or guarantee, or the significance of a business relationship. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	510.5 A1	Section 510 contains references to the "materiality" of a financial interest. In determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.
		511.4 A1	Section 511 contains references to the "materiality" of a loan or guarantee. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.
		520.4 A1	Section 520 contains references to the "materiality" of a financial interest and the "significance" of a business relationship. In determining whether

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			such a financial interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	
290.102	<p>Holding a financial interest in an audit client may create a self-interest threat. The existence and significance of any threat created depends on:</p> <p>(a) The role of the person holding the financial interest,</p> <p>(b) Whether the financial interest is direct or indirect, and</p> <p>(c) The materiality of the financial interest.</p>	<p>510.2</p> <p>510.6 A1</p>	<p>Holding a financial interest in an audit client might create a self-interest threat.</p> <p>Factors that are relevant in evaluating the level of threats created by holding financial interests in an audit client include:</p> <p>(a) The role of the individual holding the financial interest;</p> <p>(b) Whether the financial interest is direct or indirect; and</p> <p>(c) The materiality of the financial interest.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.
		<p>510.1</p> <p>510.3</p>	<p>Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>Section 510 sets out specific requirements and application material relevant to applying the conceptual framework to financial interests.</p>	New introductory material.

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290.103	Financial interests may be held through an intermediary (for example, a collective investment vehicle, estate or trust). The determination of whether such financial interests are direct or indirect will depend upon whether the beneficial owner has control over the investment vehicle or the ability to influence its investment decisions. When control over the investment vehicle or the ability to influence investment decisions exists, this Code defines that financial interest to be a direct financial interest. Conversely, when the beneficial owner of the financial interest has no control over the investment vehicle or ability to influence its investment decisions, this Code defines that financial interest to be an indirect financial interest.	510.4 A1 A financial interest might be held directly or held indirectly through an intermediary such as a collective investment vehicle, an estate or a trust. When a beneficial owner has control over the intermediary or the ability to influence its investment decisions, the Code defines that financial interest to be direct. Conversely, when a beneficial owner has no control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be indirect.	
290.104	If a member of the audit team, a member of that individual's immediate family, or a firm has a direct financial interest or a material indirect financial interest in the audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have a direct financial interest or a material indirect financial interest in the client: a member of the audit team; a member of that individual's immediate family; or the firm.	R510.7 Subject to paragraph R510.8, a direct financial interest or a material indirect financial interest in the audit client shall not be held by: (a) The firm or a network firm; (b) An audit team member, or any of that individual's immediate family;...	Network firm explicitly stated for clarity.

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290.105	<p>When a member of the audit team has a close family member who the audit team member knows has a direct financial interest or a material indirect financial interest in the audit client, a self-interest threat is created. The significance of the threat will depend on factors such as:</p> <p>(a) The nature of the relationship between the member of the audit team and the close family member; and</p> <p>(b) The materiality of the financial interest to the close family member.</p>	<p>R510.13 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <p>(a) If an audit team member knows that a close family member has a direct or material indirect financial interest in the audit client. (Ref: Para. 510.13 A1).</p> <p>(b) ...</p> <p>(c) ...</p> <p>(d) ...</p> <p>510.13 A1 A self-interest threat might be created if an audit team member has a close family member who the audit team member knows has a direct or material indirect financial interest in the audit client. (Ref: Para. R510.13(a)).</p> <p>510.13 A2 Factors that are relevant in evaluating the level of such a threat include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the audit team member and the close family member. • The materiality of the financial interest to the close family member. • Whether the financial interest is direct or indirect. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <p>(a) The close family member disposing, as soon as practicable, of all of the financial interest or disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material;</p> <p>(b) Having a professional accountant review the work of the member of the audit team; or</p> <p>(c) Removing the individual from the audit team.</p>	<p>510.13 A3 An example of an action that might be a safeguard to address threats created by having a financial interest as set out in paragraph R510.13(a) is having a professional accountant review the work of the audit team member.</p> <p>Actions that might eliminate those threats include:</p> <ul style="list-style-type: none"> • The close family member disposing, as soon as practicable, of all of the financial interest or disposing of enough of an indirect financial interest so that the remaining interest is no longer material. • Removing the individual from the audit team. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.106	If a member of the audit team, a member of that individual's immediate family, or a firm has a direct or material indirect financial interest in an entity that has a controlling interest in the audit client, and the client is	R510.9 When an entity has a controlling interest in an audit client and the audit client is material to the entity, neither the firm nor a network firm, nor an audit team member nor any of	Network firm explicitly stated for clarity.

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	material to the entity, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have such a financial interest: a member of the audit team; a member of that individual's immediate family; and the firm.	that individual's immediate family shall hold a direct or material indirect financial interest in that entity.	
290.107	The holding by a firm's retirement benefit plan of a direct or material indirect financial interest in an audit client creates a self-interest threat. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.	<p>R510.13 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <p>(a) ...</p> <p>(b) If a retirement benefit plan of a firm or a network firm holds a direct or material indirect financial interest in an audit client.</p> <p>(c) ...</p> <p>(d) ...</p>	Network firm explicitly stated for clarity. Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
290.108	If other partners in the office in which the engagement partner practices in connection with the audit engagement, or their immediate family members, hold a direct financial interest or a material indirect financial interest in that audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither such partners nor their immediate family members	<p>R510.7 Subject to paragraph R510.8, a direct financial interest or a material indirect financial interest in the audit client shall not be held by: ...</p> <p>(c) Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that other partner's immediate family; ...</p>	

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	shall hold any such financial interests in such an audit client.		
290.109	The office in which the engagement partner practices in connection with the audit engagement is not necessarily the office to which that partner is assigned. Accordingly, when the engagement partner is located in a different office from that of the other members of the audit team, professional judgment shall be used to determine in which office the partner practices in connection with that engagement.	510.7 A1 The office in which the engagement partner practices in connection with an audit engagement is not necessarily the office to which that partner is assigned. When the engagement partner is located in a different office from that of the other audit team members, professional judgment is needed to determine the office in which the partner practices in connection with the engagement.	The “shall” requirement to use professional judgment is inherent within the conceptual framework.
290.110	If other partners and managerial employees who provide non-audit services to the audit client, except those whose involvement is minimal, or their immediate family members, hold a direct financial interest or a material indirect financial interest in the audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, neither such personnel nor their immediate family members shall hold any such financial interests in such an audit client.	R510.7 Subject to paragraph R510.8, a direct financial interest or a material indirect financial interest in the audit client shall not be held by: ... (a) ... (b) ... (c) ... (d) Any other partner or managerial employee who provides non-audit services to the audit client, except for any whose involvement is minimal, or any of that individual's immediate family.	

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290.111	<p>Despite paragraphs 290.108 and 290.110, the holding of a financial interest in an audit client by an immediate family member of:</p> <p>(a) A partner located in the office in which the engagement partner practices in connection with the audit engagement; or</p> <p>(b) A partner or managerial employee who provides non-audit services to the audit client is deemed not to compromise independence if the financial interest is received as a result of the immediate family member's employment rights (for example, through pension or share option plans) and, when necessary, safeguards are applied to eliminate any threat to independence or reduce it to an acceptable level.</p> <p>However, when the immediate family member has or obtains the right to dispose of the financial interest or, in the case of a stock option, the right to exercise the option, the financial interest shall be disposed of or forfeited as soon as practicable.</p>	<p>R510.8 As an exception to paragraph R510.7, an immediate family member identified in subparagraphs 510.7(c) or (d) may hold a direct or material indirect financial interest in an audit client, provided that:</p> <p>(a) The family member received the financial interest because of employment rights (for example, through pension or share option plans) and, when necessary, the firm addresses the threats created by the financial interest; and</p> <p>(b) The family member disposes of or forfeits the financial interest as soon as practicable when the family member has or obtains the right to do so, or in the case of a stock option, when the family member obtains the right to exercise the option.</p>	
290.112	<p>A self-interest threat may be created if the firm or a member of the audit team, or a member of that individual's immediate family, has a financial interest in an entity and an audit client also has a financial interest in that entity. However, independence is deemed not</p>	<p>R510.11 (a) A firm, or a network firm, or an audit team member, or any of that individual's immediate family shall not hold a financial interest in an entity when an</p>	<p>Network firm explicitly stated for clarity.</p>

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	<p>to be compromised if these interests are immaterial and the audit client cannot exercise significant influence over the entity. If such interest is material to any party, and the audit client can exercise significant influence over the other entity, no safeguards could reduce the threat to an acceptable level. Accordingly, the firm shall not have such an interest and any individual with such an interest shall, before becoming a member of the audit team, either:</p> <p>(a) Dispose of the interest; or</p> <p>(b) Dispose of a sufficient amount of the interest so that the remaining interest is no longer material.</p>	<p>audit client also has a financial interest in that entity, unless:</p> <p>(i) The financial interests are immaterial to the firm, the network firm, the audit team member and that individual's immediate family member and the audit client, as applicable; or</p> <p>(ii) The audit client cannot exercise significant influence over the entity.</p> <p>(b) Before an individual who has a financial interest described in paragraph R510.11(a) can become an audit team member, the individual or that individual's immediate family member shall either:</p> <p>(i) Dispose of the interest; or</p> <p>(ii) Dispose of enough of the interest so that the remaining interest is no longer material.</p>	
290.113	A self-interest, familiarity or intimidation threat may be created if a member of the audit team,	510.13 A4 Self-interest, familiarity, or intimidation threats might be created	Network firm expressly stated for clarity.

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	<p>or a member of that individual's immediate family, or the firm, has a financial interest in an entity when a director, officer or controlling owner of the audit client is also known to have a financial interest in that entity. The existence and significance of any threat will depend upon factors such as:</p> <p>(a) The role of the professional on the audit team;</p> <p>(b) Whether ownership of the entity is closely or widely held;</p> <p>(c) Whether the interest gives the investor the ability to control or significantly influence the entity; and</p> <p>(d) The materiality of the financial interest.</p>	<p>if an audit team member, or any of that individual's immediate family, or the firm or a network firm has a financial interest in an entity when a director or officer or controlling owner of the audit client is also known to have a financial interest in that entity. (Ref: Para. R510.13(c)).</p> <p>510.13 A5 Factors that are relevant in evaluating the level of such threats include:</p> <ul style="list-style-type: none"> • The role of the individual on the audit team. • Whether ownership of the entity is closely or widely held. • Whether the interest allows the investor to control or significantly influence the entity. • The materiality of the financial interest. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
	<p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>		<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
		<p>R510.13 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p>	<p>Network firm explicitly stated for clarity.</p>

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		(c) If an audit team member, or any of that individual's immediate family, or a firm or a network firm, has a financial interest in an entity and a director or officer or controlling owner of the audit client is also known to have a financial interest in the same entity. (Ref: Para. 510.13 A4).	
	<p>Examples of such safeguards include:</p> <p>(a) Removing the member of the audit team with the financial interest from the audit team; or</p> <p>(b) Having a professional accountant review the work of the member of the audit team.</p>	<p>510.13 A6 An example of an action that might be a safeguard to address threats created by having a financial interest set out in paragraph R510.13(c) is having a professional accountant review the work of the audit team member.</p> <p>An action that might eliminate those threats is removing the audit team member with the financial interest from the audit team.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.114	The holding by a firm, or a member of the audit team, or a member of that individual's immediate family, of a direct financial interest or a material indirect financial interest in the audit client as a trustee creates a self-interest threat. Similarly, a self-interest threat is created when:	<p>R510.10 Paragraph R510.7 shall also apply to a financial interest in an audit client held in a trust for which the firm, network firm or individual acts as trustee, unless:</p> <p>(a) None of the following is a beneficiary of the trust: the trustee, the audit team member</p>	Network firm expressly stated for clarity.

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<p>(a) A partner in the office in which the engagement partner practices in connection with the audit;</p> <p>(b) Other partners and managerial employees who provide non-assurance services to the audit client, except those whose involvement is minimal; or</p> <p>(c) Their immediate family members, hold a direct financial interest or a material indirect financial interest in the audit client as trustee.</p> <p>Such an interest shall not be held unless:</p> <p>(a) Neither the trustee, nor an immediate family member of the trustee, nor the firm are beneficiaries of the trust;</p> <p>(b) The interest in the audit client held by the trust is not material to the trust;</p> <p>(c) The trust is not able to exercise significant influence over the audit client; and</p> <p>(d) The trustee, an immediate family member of the trustee, or the firm cannot significantly influence any investment decision involving a financial interest in the audit client.</p>	<p>or any of that individual's immediate family, the firm or a network firm;</p> <p>(b) The interest in the audit client held by the trust is not material to the trust;</p> <p>(c) The trust is not able to exercise significant influence over the audit client; and</p> <p>(d) None of the following can significantly influence any investment decision involving a financial interest in the audit client: the trustee, the audit team member or any of that individual's immediate family, the firm or a network firm.</p>	
290.115	R510.13 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120: ...	

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	<p>(a) Partners and professional employees of the firm, other than those referred to above, or their immediate family members; and</p> <p>(b) Individuals with a close personal relationship with a member of the audit team.</p>	<p>(d) If an audit team member knows that a financial interest in the audit client is held by other individuals including:</p> <ul style="list-style-type: none"> • Partners and professional employees of the firm or network firm, apart from those who are specifically not permitted to hold such financial interests by paragraph R510.7, or their immediate family members. • Individuals with a close personal relationship with an audit team member. (Ref: Para. 510.13 A7). 	
	<p>Whether these interests create a self-interest threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The firm's organizational, operating and reporting structure; and • The nature of the relationship between the individual and the member of the audit team. 	<p>510.13 A7 Factors that are relevant in evaluating the level of threats created by the interests set out in paragraph R510.13(d) include:</p> <ul style="list-style-type: none"> • The firm's organizational, operating and reporting structure. • The nature of the relationship between the individual and the audit team member. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
	<p><u>The significance of any threat shall be evaluated and safeguards applied when</u></p>		<p>Underlined text is covered by the enhanced conceptual</p>

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	<u>necessary to eliminate the threat or reduce it to an acceptable level.</u>		framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the member of the audit team with the personal relationship from the audit team; • Excluding the member of the audit team from any significant decision-making concerning the audit engagement; or • Having a professional accountant review the work of the member of the audit team. 	<p>510.13 A8 Examples of actions that might be safeguards to address threats created by a financial interest set out in paragraph R510.13(d) include:</p> <ul style="list-style-type: none"> • Excluding the audit team member from any significant decision-making concerning the audit engagement. • Having a professional accountant review the work of the audit team member. <p>An action to eliminate those threats is removing the audit team member with the personal relationship from the audit team.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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290.116	<p>If a firm or a partner or employee of the firm, or a member of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit client, for example, by way of an inheritance, gift or as a result of a merger and such interest would not be permitted to be held under this section, then:</p> <p>(a) If the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material;</p> <p>(b) If the interest is received by a member of the audit team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer material; or</p> <p>(c) If the interest is received by an individual who is not a member of the audit team, or by an immediate family member of the individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be</p>	<p>R510.12 If a firm, a network firm or a partner or employee of the firm or a network firm, or any of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit client by way of an inheritance, gift, as a result of a merger or in similar circumstances and the interest would not otherwise be permitted to be held under this section:</p> <p>(a) If the interest is received by the firm or a network firm, or an audit team member or any of that individual's immediate family, the financial interest shall be disposed of immediately, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or</p> <p>(b) (i) If the interest is received by an individual who is not an audit team member, or by any of that individual's immediate family, the financial interest shall be disposed of as soon as possible, or</p>	Network firm explicitly stated for clarity.

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	<p>disposed of so that the remaining interest is no longer material. Pending the disposal of the financial interest, a determination shall be made as to whether any safeguards are necessary.</p>	<p>enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; and</p> <p>(ii) Pending the disposal of the financial interest, when necessary, the firm shall address the threats created.</p>	

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Section 511 Loans and Guarantees		
	<p>511.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>511.2 A loan or a guarantee of a loan between an audit client and a firm, a network firm, an audit team member, or any of that individual's immediate family might create self-interest threats.</p> <p>511.3 Section 511 sets out specific requirements and application material relevant to applying the conceptual framework to loans and guarantees</p>	New introductory material.
290.117	A loan, or a guarantee of a loan, to a member of the audit team, or a member of that individual's immediate family, or the firm from an audit client that is a bank or a similar institution may create a threat to independence. If the loan or guarantee is not made under normal lending procedures, terms and conditions, a self-interest threat would be created that would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, neither a member of the audit team, a member of that	<p>R511.6 A firm, a network firm, an audit team member, or any of that individual's immediate family shall not accept a loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.</p> <p>Network firm explicitly stated for clarity.</p>

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	individual's immediate family, nor a firm shall accept such a loan or guarantee.		
290.118	If a loan to a firm from an audit client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the audit client or firm receiving the loan, it may be possible to apply safeguards to reduce the self-interest threat to an acceptable level. An example of such a safeguard is having the work reviewed by a professional accountant from a network firm that is neither involved with the audit nor received the loan.	511.6 A2 If a loan from an audit client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the audit client or firm receiving the loan, it might create a self-interest threat. An example of an action that might be a safeguard to address such a threat is having the work reviewed by a professional who is not a member of the audit team that neither is involved with the audit nor is a beneficiary of the loan. If the loan is to a firm the reviewing professional might be someone from a network firm.	Network firm explicitly stated for clarity.
			Conforming amendment arising from safeguards project. See Safeguards ED-2.
290.119	A loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution to a member of the audit team, or a member of that individual's immediate family, does not create a threat to independence if the loan or guarantee is made under normal lending procedures, terms and conditions. Examples of such loans include home mortgages, bank overdrafts, car loans and credit card balances.	511.6 A1 Examples of loans include mortgages, bank overdrafts, car loans, and credit card balances.	

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290.120	If the firm or a member of the audit team, or a member of that individual's immediate family, accepts a loan from, or has a borrowing guaranteed by, an audit client that is not a bank or similar institution, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both (a) the firm or the member of the audit team and the immediate family member, and (b) the client.	<p>R511.8 A firm, a network firm, an audit team member, or any of that individual's immediate family shall not accept a loan from, or have a borrowing guaranteed by, an audit client that is not a bank or similar institution, unless the loan or guarantee is immaterial to:</p> <p>(a) The firm, the network firm, or the individual receiving the loan or guarantee, as applicable; and</p> <p>(b) The client.</p>	Network firm explicitly stated for clarity.
290.121	Similarly, if the firm or a member of the audit team, or a member of that individual's immediate family, makes or guarantees a loan to an audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both (a) the firm or the member of the audit team and the immediate family member, and (b) the client.	<p>R511.5 A firm, a network firm, an audit team member, or any of that individual's immediate family shall not make or guarantee a loan to an audit client unless the loan or guarantee is immaterial to:</p> <p>(a) The firm, the network firm or the individual making the loan or guarantee, as applicable; and</p> <p>(b) The client.</p>	Network firm explicitly stated
290.122	If a firm or a member of the audit team, or a member of that individual's immediate family, has deposits or a brokerage account with an audit client that is a bank, broker or similar institution, a threat to independence is not	<p>R511.7 A firm, a network firm, an audit team member, or any of that individual's immediate family shall not have deposits or a brokerage account with an audit client that is a bank, broker</p>	Network firm explicitly stated for clarity.

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	created if the deposit or account is held under normal commercial terms.	or similar institution, unless the deposit or account is held under normal commercial terms.	
Section 520 Business Relationships			
290.123	A close business relationship between a firm, or a member of the audit team, or a member of that individual's immediate family, and the audit client or its management, arises from a commercial relationship or common financial interest and may create self-interest or intimidation threats.	520.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	New introductory material.
		520.2 A close business relationship between an audit client or its management and a firm, a network firm, an audit team member, or any of that individual's immediate family might create self-interest or intimidation threats.	Network firm explicitly stated for clarity.
		520.3 Section 520 sets out specific requirements and application material relevant to applying the conceptual framework to these business relationships.	New introductory material.
	Examples of such relationships include: <ul style="list-style-type: none"> Having a financial interest in a joint venture with either the client or a controlling owner, director, officer or other individual who performs senior managerial activities for that client. 	520.5 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include: <ul style="list-style-type: none"> Having a financial interest in a joint venture with either the 	Network firm explicitly stated for clarity.

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	<ul style="list-style-type: none"> • Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties. • Distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or services. 	<p style="text-align: center;">client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.</p> <ul style="list-style-type: none"> • Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products of the client and to market the package with reference to both parties. • Distribution or marketing arrangements under which the firm or a network firm distributes or markets the client's products or services, or the client distributes or markets the firm's or a network firm's products or services. 	
	<p>Unless any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, unless the financial interest is immaterial and the business relationship is insignificant, the business relationship shall not be entered</p>	<p>R520.6 A firm, a network firm or an audit team member shall not have a close business relationship with an audit client or its management unless the financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm, the network firm or the audit team member, as applicable.</p>	<p>Network firm explicitly stated for clarity.</p>

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	<p>into, or it shall be reduced to an insignificant level or terminated.</p> <p>In the case of a member of the audit team, unless any such financial interest is immaterial and the relationship is insignificant to that member, the individual shall be removed from the audit team.</p>		
	<p>If the business relationship is between an immediate family member of a member of the audit team and the audit client or its management, the significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p>		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
290.124	<p>A business relationship involving the holding of an interest by the firm, or a member of the audit team, or a member of that individual's immediate family, in a closely-held entity when the audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity does not create threats to independence if:</p> <p>(a) The business relationship is insignificant to the firm, the member of the audit team and the immediate family member, and the client;</p> <p>(b) The financial interest is immaterial to the investor or group of investors; and</p>	<p>R520.7 A firm, a network firm, an audit team member, or any of that individual's immediate family shall not have a business relationship involving the holding of an interest in a closely-held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:</p> <p>(a) The business relationship is insignificant to the firm, the network firm, or the individual, as applicable, and the client;</p>	Network Firm explicitly stated for clarity.

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	(c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.	<p>(b) The financial interest is immaterial to the investor or group of investors; and</p> <p>(c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.</p>	
290.125	The purchase of goods and services from an audit client by the firm, or a member of the audit team, or a member of that individual's immediate family, does not generally create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions may be of such a nature or magnitude that they create a self-interest threat.	520.8 A1 The purchase of goods and services from an audit client by a firm, a network firm, an audit team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.	Network firm explicitly stated for clarity.
	<u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u>		Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction; or • Removing the individual from the audit team. 	520.8 A2 Actions that might eliminate threats created by purchasing goods and services from an audit client include: <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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		<ul style="list-style-type: none"> Removing the individual from the audit team. 		
Section 521 Family and Personal Relationships				
290.126	Family and personal relationships between a member of the audit team and a director or officer or other employees (depending on their role) of the audit client may create self-interest, familiarity or intimidation threats.	521.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	New introductory material.
		521.2	Family or personal relationships between firm and client personnel might create self-interest, familiarity or intimidation threats.	
		521.3	Section 521 sets out specific requirements and application material relevant to applying the conceptual framework to these family or personal relationships.	New introductory material.
	The existence and significance of any threats will depend on a number of factors, including the individual's responsibilities on the audit team, the role of the family member or other individual within the client and the closeness of the relationship.	521.4 A1	Threats are created by family and personal relationships between an audit team member and a director or officer or, depending on their role, certain employees of the audit client. Factors that are relevant in evaluating the level of any such threats include: <ul style="list-style-type: none"> The individual's responsibilities on the audit team; and The role of the family member or 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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		other individual within the client and the closeness of the relationship.	
290.127	<p>When an immediate family member of a member of the audit team is:</p> <p>(a) a director or officer of the audit client; or</p> <p>(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, or was in such a position during any period covered by the engagement or the financial statements, ...</p>	<p>R521.6 An individual shall not participate as an audit team member when any of that individual's immediate family:</p> <p>(a) Is a director or officer of the audit client;</p> <p>(b) Is 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; or</p> <p>(c) Was in any such position during any period covered by the engagement or the financial statements.</p>	
	<p>... the threats to independence can only be reduced to an acceptable level by removing the individual from the audit team. The closeness of the relationship is such that no other safeguards could reduce the threat to an acceptable level. Accordingly, no individual who has such a relationship shall be a member of the audit team.</p>		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text

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290.128	Threats to independence are created when an immediate family member of a member of the audit team is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows.	521.5 A1 Threats are created when an immediate family member of an audit team member is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows.	
	<p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position held by the immediate family member; and • The role of the professional on the audit team. 	<p>521.5 A2 Factors that are relevant in evaluating the level of any such threat created include:</p> <ul style="list-style-type: none"> • The position held by the immediate family member. • The role of the audit team member. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
	<u>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u>		Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team; or • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the immediate family member. 	<p>521.5 A3 An example of an action that might be a safeguard to address the threats set out in paragraph 521.5 A1 is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the immediate family member.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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		An action that might eliminate the threats is removing the individual from the audit team.	
290.129	Threats to independence are created when a close family member of a member of the audit team is: (a) A director or officer of the audit client; 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.	521.7 A1 Threats are created when a close family member of an audit team member is: (a) A director or officer of the audit client; 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.	
	The significance of the threats will depend on factors such as: <ul style="list-style-type: none"> • The nature of the relationship between the member of the audit team and the close family member; • The position held by the close family member; and • The role of the professional on the audit team. 	521.7 A2 Factors that are relevant in evaluating the level of threats created by the relationships set out in paragraph 521.7 A1 include: <ul style="list-style-type: none"> • The nature of the relationship between the audit team member and the close family member. • The position held by the close family member. • The role of the audit team member. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
	The significance of the threat shall be evaluated and safeguards applied when		Material is covered by the enhanced conceptual framework

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	necessary to eliminate the threat or reduce it to an acceptable level.		set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team; or • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the close family member. 	<p>521.7 A3 An example of an action that might be a safeguard to address threats created by the relationships set out in paragraph 521.7 A1 is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the close family member.</p> <p>An action that might eliminate threats created by those relationships is removing the individual from the audit team.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.130	Threats to independence are created when a member of the audit team has a close relationship with a person who is not an immediate or close family member, but who is a director or officer or 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. A member of the audit team who has such a relationship shall consult in accordance with firm policies and procedures.	<p>R521.8 An audit team member shall consult in accordance with firm policies and procedures if the audit team member has a close relationship with an individual who is not an immediate or close family member, but who is:</p> <ul style="list-style-type: none"> (a) A director or officer of the audit client; or (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the 	

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		financial statements on which the firm will express an opinion.	
	<p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the individual and the member of the audit team; • The position the individual holds with the client; and • The role of the professional on the audit team. 	<p>521.8 A1 Factors that are relevant in evaluating the level of threats created by such relationships include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the individual and the audit team member. • The position the individual holds with the client. • The role of the audit team member. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
	<p>The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</p>	<p>521.8 A2 An example of an action that might be a safeguard to address threats created by close relationships of audit team members is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the individual with whom the audit team member has a close relationship.</p> <p>An action that might eliminate threats created by such relationships is removing the professional from the audit team.</p>	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the professional from the audit team; or • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the individual with whom the professional has a close relationship. 		
290.131	<p>Self-interest, familiarity or intimidation threats may be created by a personal or family relationship between</p>	<p>R521.9 Partners and employees of the firm shall consult in accordance with firm policies and procedures if they are</p>	

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	<p>(a) a partner or employee of the firm who is not a member of the audit team and</p> <p>(b) a director or officer of the audit client or 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. Partners and employees of the firm who are aware of such relationships shall consult in accordance with firm policies and procedures.</p>	<p>aware of a personal or family relationship between:</p> <p>(a) A partner or employee of the firm who is not an audit team member; and</p> <p>(b) A director or officer of the audit client or an employee of the audit client 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.</p>	
	<p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client; • The interaction of the partner or employee of the firm with the audit team; • The position of the partner or employee within the firm; and • The position the individual holds with the client. 	<p>521.9 A1 Factors that are relevant in evaluating the level of any threat created by such relationships include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client. • The interaction of the partner or employee of the firm with the audit team. • The position of the partner or employee within the firm. • The position the individual holds with the client. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Underlined text is Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Structuring the partner's or employee's responsibilities to reduce any potential influence over the audit engagement; or • Having a professional accountant review the relevant audit work performed 	<p>521.9 A2 Examples of actions that might be safeguards to address threats created by such relationships include</p> <ul style="list-style-type: none"> • Structuring the partner's or employee's responsibilities to reduce any potential influence over the audit engagement. • Having a professional accountant review the relevant audit work performed. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
Section 524 Employment with an Audit Client			
290.132	Familiarity or intimidation threats may be created if a director or officer of the audit client, or 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, has been a member of the audit team or partner of the firm.	524.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
		524.2	Employment relationships between former partners or employees of a firm or a network firm and an audit
			New introductory language.
			Network firm explicitly stated for clarity.

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		client might create familiarity or intimidation threats.	
		524.3 Section 524 sets out specific requirements and application material relevant to applying the conceptual framework to these employment relationships.	New introductory language.
		524.4 A1 A familiarity or intimidation threat might be created if any of the following individuals have been an audit team member or partner of the firm or a network firm: <ul style="list-style-type: none"> • A director or officer of the audit client. • 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. 	
290.133	If a former member of the audit team or partner of the firm has joined the audit client in such a position and a significant connection remains between the firm and the individual, the threat would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, independence would be deemed to be compromised if a	R524.5 The firm shall ensure that no significant connection remains between the firm or a network firm and: <ul style="list-style-type: none"> (a) A former partner who joins an audit client of the firm; or (b) A former audit team member who joins the audit client, 	Network firm explicitly stated for clarity.

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<p>former member of the audit team or partner joins the audit client as a director or officer, or as 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, unless:</p> <p>(a) The individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements, and any amount owed to the individual is not material to the firm; and</p> <p>(b) The individual does not continue to participate or appear to participate in the firm's business or professional activities.</p>	<p>if either has joined the audit client as:</p> <p style="margin-left: 20px;">(i) A director or officer; or</p> <p style="margin-left: 20px;">(ii) 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.</p> <hr/> <p>524.5 A1 A significant connection remains between the firm or a network firm and the individual, unless:</p> <p style="margin-left: 20px;">(a) The individual is not entitled to any benefits or payments from the firm or network firm that are not made in accordance with fixed pre-determined arrangements;</p> <p style="margin-left: 20px;">(b) Any amount owed to the individual is not material to the firm or the network firm; and</p> <p style="margin-left: 20px;">(c) The individual does not continue to participate or appear to participate in the firm's or the network firm's business or professional activities.</p>	

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290.134	<p>If a former member of the audit team or partner of the firm has joined the audit client in such a position, and no significant connection remains between the firm and the individual,</p> <p>the existence and significance of any familiarity or intimidation threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual has taken at the client; • Any involvement the individual will have with the audit team; • The length of time since the individual was a member of the audit team or partner of the firm; and • The former position of the individual within the audit team or firm. An example includes, whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance. 	<p>524.5 A2 Even if the requirements of paragraph R524.5 are met, familiarity or intimidation threats might still be created. Factors that are relevant in evaluating the level of any such threats created include:</p> <ul style="list-style-type: none"> • The position the individual has taken at the client. • Any involvement the individual will have with the audit team. • The length of time since the individual was an audit team member or partner of the firm or network firm. • The former position of the individual within the audit team, firm or network firm. An example is whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p> <p>Network firm explicitly stated for clarity.</p>
	<p>The significance of any threats created shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</p>		<p>Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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	<p>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Modifying the audit plan; • Assigning individuals to the audit team who have sufficient experience in relation to the individual who has joined the client; or • Having a professional accountant review the work of the former member of the audit team. 	<p>524.5 A3 Examples of actions that might be safeguards to address threats created by such employment relationships include:</p> <ul style="list-style-type: none"> • Modifying the audit plan. • Assigning individuals to the audit team who have sufficient experience relative to the individual who has joined the client. • Having a professional accountant review the work of the former audit team member. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
290.135	<p>If a former partner of the firm has previously joined an entity in such a position and the entity subsequently becomes an audit client of the firm, <u>the significance of any threat to independence shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<p>524.6 A1 The requirement to apply the conceptual framework also applies if, prior to an entity becoming an audit client of the firm, a former partner of the firm or network firm has joined the entity as:</p> <ol style="list-style-type: none"> (a) A director or officer; 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. 	<p>Network firm explicitly stated for clarity. Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
290.136	<p>A self-interest threat is created when a member of the audit team participates in the audit engagement while knowing that the</p>	<p>524.7 A1 A self-interest threat is created when an audit team member participates in the audit engagement while knowing</p>	

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	member of the audit team will, or may, join the client some time in the future.	that the audit team member will, or might, join the client at some time in the future.	
	Firm policies and procedures shall require members of an audit team to notify the firm when entering employment negotiations with the client. On receiving such notification, ...	R524.7 A firm or network firm shall have policies and procedures that require audit team members to notify the firm or network firm when entering employment negotiations with an audit client.	Network firm explicitly stated for clarity.
	... <u>the significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or</u> reduce it to an acceptable level.		Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	Examples of such safeguards include: <ul style="list-style-type: none"> • Removing the individual from the audit team; or • A review of any significant judgments made by that individual while on the team. 	524.7 A2 An example of an action that might be a safeguard to address threats set out in paragraph 524.7 A1 is having an appropriate individual review any significant judgments made by that individual while on the team. An action that might eliminate such threats is removing the professional from the audit team.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.137	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	R524.8 Subject to paragraph R524.10, if an individual who was a key audit partner with respect to an audit client	

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	<p>(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.</p> <p>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 statements.</p>	<p>that is a public interest entity joins the client as:</p> <p>(a) A director or officer; or</p> <p>(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,</p> <p>independence is compromised, unless subsequent to the individual ceasing to be a key audit partner:</p> <p>(i) The audit client has issued audited financial statements covering a period of not less than twelve months; and</p> <p>(ii) The individual was not an audit team member with respect to the audit of those financial statements.</p>	
290.138	<p>An intimidation threat is created when the individual who was the firm's Senior or Managing Partner (Chief Executive or equivalent) joins an audit client that is a public interest entity as:</p> <p>(a) An employee in a position to exert significant influence over the preparation of the entity's accounting records or its financial statements; or</p>	<p>R524.9 Subject to paragraph R524.10, if an individual who was the Chief Executive, or equivalent, of the firm or a network firm joins an audit client that is a public interest entity as:</p> <p>(a) A director or officer; or</p> <p>(b) An employee in a position to exert significant influence over the preparation of the client's</p>	<p>Network firm explicitly stated for clarity.</p>

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	(b) A director or officer of the entity. Independence would be deemed to be compromised unless twelve months have passed since the individual was the Senior or Managing Partner (Chief Executive or equivalent) of the firm.	accounting records or the financial statements on which the firm will express an opinion, independence is compromised, unless twelve months have passed since the individual was the Chief Executive or equivalent of the firm or network firm.	
290.139	<p>Independence is deemed not to be compromised if, as a result of a business combination, a former key audit partner or the individual who was the firm's former Senior or Managing Partner is in a position as described in paragraphs 290.137 and 290.138, and:</p> <p>(a) The position was not taken in contemplation of the business combination;</p> <p>(b) Any benefits or payments due to the former partner from the firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm;</p> <p>(c) The former partner does not continue to participate or appear to participate in the firm's business or professional activities; and</p>	<p>R524.10 As an exception to paragraphs R524.8 and R524.9, independence is not compromised if the circumstances set out in those paragraphs arise as a result of a business combination and:</p> <p>(a) The position was not taken in contemplation of the business combination;</p> <p>(b) Any benefits or payments due to the former partner from the firm or a network firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm or network firm;</p> <p>(c) The former partner does not continue to participate or appear to participate in the firm's or network firm's</p>	Network firm explicitly stated for clarity.

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	(d) The position held by the former partner with the audit client is discussed with those charged with governance.		business or professional activities; and (d) The firm discusses the position held with the audit client by the former partner with those charged with governance.	
Section 525 Temporary Personnel Assignments				
290.140	The lending of staff by a firm to an audit client may create a self-review threat.	525.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	New introductory material.
		525.2	The loan of personnel by a firm or a network firm to an audit client might create self-review threats.	Network firm explicitly stated for clarity.
		525.3	Section 525 sets out specific requirements and application material relevant to applying the conceptual framework to loans of firm or network firm personnel to an audit client.	New introductory material. Network firm explicitly stated for clarity.
	Such assistance may be given, but only for a short period of time and the firm's personnel shall not be involved in: (a) Providing non-assurance services that would not be permitted under this section; or (b) Assuming management responsibilities.	R525.5	A firm or network firm shall not loan personnel to an audit client unless: (a) Such assistance is provided only for a short period of time; (b) The personnel are not involved in providing non-assurance services that would not be	Network firm explicitly stated for clarity.

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	In all circumstances, the audit client shall be responsible for directing and supervising the activities of the loaned staff.	permitted under Section 600 and its subsections; and (c) The personnel do not assume management responsibilities and the audit client is responsible for directing and supervising the activities of the personnel.	
	The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Conducting an additional review of the work performed by the loaned staff; • 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. 	525.4 A1 Examples of actions that might be safeguards to address any threats created by the loan of personnel by a firm or a network firm to an audit client include: <ul style="list-style-type: none"> • Conducting an additional review of the work performed by the loaned personnel. • Not including the loaned personnel as an audit team member. • Not giving the loaned personnel audit responsibility for any function or activity that the personnel performed during 	Network firm explicitly stated for clarity. Conforming amendments arising from safeguards project. See Safeguards ED-2.

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		the loaned personnel assignment.		
Section 522 Recent Service with an Audit Client				
290.141	Self-interest, self-review or familiarity threats may be created if a member of the audit team has recently served as a director, officer, or employee of the audit client. This would be the case when, for example, a member of the audit team has to evaluate elements of the financial statements for which the member of the audit team had prepared the accounting records while with the client.	522.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	New introductory language.
		522.2	Self-interest, self-review or familiarity threats might be created if an audit team member has recently served as a director or officer, or employee of the audit client.	
		522.3	Section 522 sets out specific requirements and application material relevant to applying the conceptual framework in circumstances where audit team members have served with an audit client.	New introductory language.
290.142	If, during the period covered by the audit report, a member of the audit team had served as a director or officer of the audit client, or was 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, the threat created	R522.4	The audit team shall not include an individual who, during the period covered by the audit report: <ul style="list-style-type: none"> (a) Had served as a director or officer of the audit client; or (b) Was an employee in a position to exert significant influence over the preparation of the client's 	

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	would be so significant that no safeguards could reduce the threat to an acceptable level. Consequently, such individuals shall not be assigned to the audit team.	accounting records or the financial statements on which the firm will express an opinion.	
290.143	Self-interest, self-review or familiarity threats may be created if, before the period covered by the audit report, a member of the audit team had served as a director or officer of the audit client, or was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion.	522.5 A1 Self-interest, self-review or familiarity threats might be created if, before the period covered by the audit report, an audit team member: (a) Had served as a director or officer of the audit client; or (b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion.	
	For example, such threats would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current audit engagement.	For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current audit engagement.	
	The existence and significance of any threats will depend on factors such as: <ul style="list-style-type: none">• The position the individual held with the client;• The length of time since the individual left the client; and	522.5 A2 Factors that are relevant in evaluating the level of any threats created by such recent service with an audit client include: <ul style="list-style-type: none">• The position the individual held with the client.	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<ul style="list-style-type: none"> The role of the professional on the audit team. 		<ul style="list-style-type: none"> The length of time since the individual left the client. The role of the audit team member. 	
	The significance of any threat shall be evaluated and safeguards applied when necessary to reduce the threat to an acceptable level.			Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	An example of such a safeguard is conducting a review of the work performed by the individual as a member of the audit team.	522.5 A3	An example of an action that might be a safeguard to address the threats set out in paragraph 522.5 A1 is conducting a review of the work performed by the individual as an audit team member.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
Section 523 Serving as a Director or Officer of an Audit Client				
290.144	If a partner or employee of the firm serves as a director or officer of an audit client, the self-review and self-interest threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Accordingly, no partner or employee shall serve as a director or officer of an audit client.	523.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	New introductory material
		523.2	Self-review and self-interest threats are created if a partner or employee of the firm or a network firm serves as a director or officer of an audit client.	Network firm explicitly stated for clarity.

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		523.3	Section 523 sets out specific requirements and application material relevant to applying the conceptual framework in these circumstances.	New introductory material
		R523.4	A partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.	Network firm explicitly stated for clarity.
290.145	The position of Company Secretary has different implications in different jurisdictions. Duties may range from administrative duties, such as personnel management and the maintenance of company records and registers, to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity.	523.5 A1	The position of Company Secretary has different implications in different jurisdictions. Duties might range from administrative duties (such as personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity. (More information on providing non-assurance services to an audit client is set out in Section 600 – <i>Provision of Non-assurance Services to an Audit Client.</i>)	Network firm explicitly stated for clarity.
290.146	If a partner or employee of the firm serves as Company Secretary for an audit client, self-review and advocacy threats are created that would generally be so significant that no	R523.5	A partner or employee of the firm or a network firm shall not serve as Company Secretary for an audit client of the firm, unless:	Network firm explicitly stated for clarity.

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	<p>safeguards could reduce the threats to an acceptable level. Despite paragraph 290.144, when this practice is specifically permitted under local law, professional rules or practice, and provided management makes all relevant decisions, the duties and activities shall be limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.</p>	<p>(a) This practice is specifically permitted under local law, professional rules or practice;</p> <p>(b) Management makes all relevant decisions; and</p> <p>(c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.</p>	
	<p>In those circumstances, <u>the significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</u></p>		<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
290.147	<p>Performing routine administrative services to support a company secretarial function or providing advice in relation to company secretarial administration matters does not generally create threats to independence, as long as client management makes all relevant decisions.</p>	<p>523.5 A1...(More information on providing non-assurance services to an audit client is set out in Section 600 – <i>Provision of Non-assurance Services to a. Audit Client.</i>)</p>	

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		540.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence. .	
		540.3 Section 540 sets out requirements and application material relevant to applying the conceptual framework to long association of personnel with an audit client	
Section 540 Long Association of Personnel (Including Partner Rotation) with an Audit Client[∅]			
290.148 LA	<p>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 in an audit engagement over a long period of time.</p> <p>Although an understanding of an audit client and its environment is fundamental to audit quality, a familiarity threat may be created as a result of an individual's long association as a member of the audit team with:</p> <ul style="list-style-type: none"> • The audit client and its operations; • The audit client's senior management; or 	<p>540.2 When an individual is involved in an audit engagement over a long period of time, familiarity and self-interest threats might be created.</p> <p>540.4 A1 Although an understanding of an audit client and its environment is fundamental to audit quality, a familiarity threat might be created as a result of an individual's long association as an audit team member with:</p> <ul style="list-style-type: none"> (a) The audit client and its operations; (b) The audit client's senior management; or (c) The financial statements on which the firm will express an opinion or 	

[∅] Extant Code in this section refer to the text of the Long Association Close-off Document.

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<ul style="list-style-type: none"> • The financial statements on which the firm will express an opinion or the financial information which forms the basis of the financial statements. <p>A self-interest threat may be created as a result of an individual's concern about losing a longstanding client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance, and which may inappropriately influence the individual's judgment.</p>	<p style="text-align: center;">the financial information which forms the basis of the financial statements.</p> <hr/> <p>540.4 A2 A self-interest threat might be created as a result of an individual's concern about losing a longstanding client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance. Such a threat might influence the individual's judgment inappropriately.</p>	
<p>290.149 LA</p> <p>The significance of the threats will depend on factors, individually or in combination, relating to both the individual and the audit client.</p> <p>(a) Factors relating to the individual include:</p> <ul style="list-style-type: none"> • The overall length of the individual's relationship with the client, including if such relationship existed while the individual was at a prior firm. • How long the individual has been a member of the engagement team, and the nature of the roles performed. • The extent to which the work of the individual is directed, 	<p>540.5 A1 Factors, individually or in combination, that are relevant to evaluating the level of any threats created from an individual being involved in an audit engagement over a long period of time include:</p> <p>(a) In relation to the individual:</p> <ul style="list-style-type: none"> • The overall length of the individual's relationship with the client, including if such relationship existed while the individual was at a prior firm. • How long the individual has been an engagement team member, and the nature of the roles performed. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p>reviewed and supervised by more senior personnel.</p> <ul style="list-style-type: none"> • The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the audit, 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 senior management or those charged with governance. • The nature, frequency and extent of the interaction between the individual and senior management or those charged with governance. 	<ul style="list-style-type: none"> • The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel. • The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the audit, for example, by making key decisions or directing the work of other engagement team members. • The closeness of the individual's personal relationship with senior management or those charged with governance. • The nature, frequency and extent of the interaction between the individual and senior management or those charged with governance. 	

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	<p>(b) Factors relating to the audit client include:</p> <ul style="list-style-type: none"> • The nature or complexity of the client's accounting and financial reporting issues and whether they have changed. • Whether there have been any recent changes in senior management or those charged with governance. • Whether there have been any structural changes in the client's organization which impact the nature, frequency and extent of interactions the individual may have with senior management or those charged with governance. 	<p>(b) In relation to the audit client:</p> <ul style="list-style-type: none"> • The nature or complexity of the client's accounting and financial reporting issues and whether they have changed. • Whether there have been any recent changes in senior management or those charged with governance. • Whether there have been any structural changes in the client's organization which impact the nature, frequency and extent of interactions the individual might have with senior management or those charged with governance. 	
290.150 LA	<p>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 an individual and a member of the client's senior management would be reduced by the departure of that member of the client's senior management and the start of a new relationship.</p>	<p>540.5 A2 The combination of two or more factors might increase or reduce the level of the threats. For example, familiarity threats created over time by the increasingly close relationship between an individual and a member of the client's senior management would be reduced by the departure of that member of the client's senior</p>	<p>Conforming amendment arising from safeguards project. See Safeguards ED-2.</p>

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		management and the start of a new relationship.	
290.151 LA	<p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Rotating the individual off the audit team. • Changing the role of the individual on the audit team or the nature and extent of the tasks the individual performs. • Having a professional accountant who was not a member of the audit team review the work of the individual. • Performing regular independent internal or external quality reviews of the engagement. • Performing an engagement quality control review. 	<p>540.4 A3 Examples of actions that might be safeguards to address familiarity and self-interest threats include:</p> <ul style="list-style-type: none"> • Changing the role of the individual on the audit team or the nature and extent of the tasks the individual performs. • Having a professional accountant who was not an audit team member review the work of the individual. • Performing regular independent internal or external quality reviews of the engagement. • Performing an engagement quality control review. <p>An action that might eliminate the threats would be rotating the individual off the audit team.</p>	<p>Underlined text is covered by conceptual framework language.</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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290.152 LA	<p>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 audit engagement or exert direct influence on the outcome of the audit engagement. The period shall be of sufficient duration to allow the familiarity and self-interest threats to independence to be eliminated or reduced to an acceptable level. In the case of a public interest entity, paragraphs 290.153 to 290.168 also apply.</p>	<p>R540.5 If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period during which the individual shall not:</p> <ul style="list-style-type: none"> (a) Be a member of the engagement team; or (b) Provide quality control for the audit engagement; or (c) Exert direct influence on the outcome of the audit engagement. <p>The period shall be of sufficient duration to allow the familiarity and self-interest threats to independence to be eliminated or reduced to an acceptable level. In the case of a public interest entity, paragraphs R540.6 to R540.20 also apply.</p>	

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290.153 LA	<p>In respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the “time-on” period):</p> <p>(a) The engagement partner;</p> <p>(b) The individual appointed as responsible for the engagement quality control review; or</p> <p>(c) Any other key audit partner role.</p> <p>After the time-on period, the individual shall serve a “cooling-off” period in accordance with the provisions in paragraphs 290.155 – 290.163.</p>	<p>R540.6 Subject to paragraphs R540.7 to R540.9, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the “time-on” period):</p> <p>(a) The engagement partner;</p> <p>(b) The individual appointed as responsible for the engagement quality control review; or</p> <p>(c) Any other key audit partner role.</p> <p>After the time-on period, the individual shall serve a “cooling-off” period in accordance with the provisions in paragraphs R540.10 to R540.18.</p>	
290.154 LA	<p>In calculating the time-on period, the count of years cannot be restarted unless the individual ceases to act in any one of the above roles for a consecutive period equal to at least the cooling-off period determined in accordance with paragraphs 290.155 to 290.157 as applicable to the role in which the individual served in the year immediately before ceasing such involvement. For</p>	<p>540.6 A1 In calculating the time-on period, the count of years cannot be restarted unless the individual ceases to act in any one of the roles in paragraph R540.6(a) to (c) for a consecutive period equal to at least the cooling-off period determined in accordance with paragraphs R540.10 to R540.12 as applicable to the role in which the individual served in the year</p>	

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	example, an individual who served as engagement partner for four years followed by three years off can only act thereafter as a key audit partner on the same audit engagement for three further years (making a total of seven cumulative years). Thereafter, that individual is required to cool off in accordance with paragraph 290.158.	immediately before ceasing such involvement. For example, an individual who served as engagement partner for four years followed by three years off can only act thereafter as a key audit partner on the same audit engagement for three further years (making a total of seven cumulative years). Thereafter, that individual is required to cool off in accordance with paragraph R540.13.	
290 155 LA	If the individual acted as the engagement partner for seven cumulative years, the cooling-off period shall be five consecutive years.	R540.10 If the individual acted as the engagement partner for seven cumulative years, the cooling-off period shall be five consecutive years.	
290.156 LA	Where the individual has been appointed as responsible for the engagement quality control review and has acted in that capacity for seven cumulative years, the cooling-off period shall be three consecutive years.	R540.11 Where the individual has been appointed as responsible for the engagement quality control review and has acted in that capacity for seven cumulative years, the cooling-off period shall be three consecutive years.	
290.157 LA	If the individual has acted in any other capacity as a key audit partner for seven cumulative years, the cooling-off period shall be two consecutive years.	R540.12 If the individual has acted as a key audit partner other than in the capacities set out in R540.10 and R540.11 for seven cumulative years, the cooling-off period shall be two consecutive years.	Reorganization of words for emphasis.
290.158 LA	If the individual acted in a combination of key audit partner roles and served as the	R540.13 If the individual acted in a combination of key audit partner roles and served as the	

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	engagement partner for four or more cumulative years, the cooling-off period shall be five consecutive years.	engagement partner for four or more cumulative years, the cooling-off period shall be five consecutive years.	
290.159 LA	If the individual acted in a combination of key audit partner roles and served as the key audit partner responsible for the engagement quality control review for four or more cumulative years, the cooling-off period shall, subject to paragraph 290.160(a), be three consecutive years.	R540.14 Subject to paragraph R540.15(a), if the individual acted in a combination of key audit partner roles and served as the key audit partner responsible for the engagement quality control review for four or more cumulative years, the cooling-off period shall be three consecutive years.	
290.160 LA	If an individual has acted in a combination of engagement partner and engagement quality control review roles for four or more cumulative years during the time-on period, the cooling-off period shall be: (a) Five consecutive years where the individual has been the engagement partner for three or more years; or (b) Three consecutive years in the case of any other combination.	R540.15 If an individual has acted in a combination of engagement partner and engagement quality control review roles for four or more cumulative years during the time-on period, the cooling-off period shall: (a) As an exception to R540.14, be five consecutive years where the individual has been the engagement partner for three or more years; or (b) Be three consecutive years in the case of any other combination.	Sentences reordered for emphasis.
290.161 LA	If the individual acted in any other combination of key audit partner roles, the cooling-off period shall be two consecutive years.	R540.16 If the individual acted in any combination of key audit partner roles other than those addressed in R540.13 to R540.15, the	

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		cooling-off period shall be two consecutive years.	
290.162 LA	In determining the number of years that an individual has been a key audit partner under paragraphs 290.153 to 290.154, the length of the relationship shall, where relevant, include time while the individual was a key audit partner on that engagement at a prior firm.	R540.17 In determining the number of years that an individual has been a key audit partner as set out in paragraph R540.6, the length of the relationship shall, where relevant, include time while the individual was a key audit partner on that engagement at a prior firm.	
290.163 LA	Where a legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs 290.155, 290.158 and 290.160(a) provided that the applicable time-on period does not exceed seven years.	R540.18 Where a legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs R540.10, R540.13 and R540.15(a) provided that the applicable time-on period does not exceed seven years.	
290.164 LA	For the duration of the relevant cooling-off period, the individual shall not: (a) Be a member of the engagement team or provide quality control for the audit engagement;	R540.19 For the duration of the relevant cooling-off period, the individual shall not: (a) Be an engagement team member or provide quality control for the audit engagement;	

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<p>(b) Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events affecting the audit engagement (other than discussions with the engagement team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);</p> <p>(c) Be responsible for leading or coordinating the firm's professional services to the audit client or overseeing the firm's relationship with the audit client; or</p> <p>(d) Undertake any other role or activity not referred to above with respect to the audit client, including the provision of non-assurance services, that would result in the individual:</p> <p style="padding-left: 20px;">(i) Having significant or frequent interaction with senior management or those charged with governance; or</p> <p style="padding-left: 20px;">(ii) Exerting direct influence on the outcome of the audit engagement.</p>	<p>(b) Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events affecting the audit engagement (other than discussions with the engagement team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);</p> <p>(c) Be responsible for leading or coordinating the firm's professional services to the audit client or overseeing the firm's relationship with the audit client; or</p> <p>(d) Undertake any other role or activity not referred to above with respect to the audit client, including the provision of non-assurance services, that would result in the individual:</p> <p style="padding-left: 20px;">(i) Having significant or frequent interaction with senior management or those charged with governance; or</p>	

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	The provisions of this paragraph are not intended to prevent the individual from assuming a leadership role in the firm, such as that of the Senior or Managing Partner.	<p style="text-align: center;">(ii) Exerting direct influence on the outcome of the audit engagement.</p> <p>540.19 A1 The provisions of R540.19 are not intended to prevent the individual from assuming a leadership role in the firm, such as that of the Chief Executive or equivalent.</p>	
290.165 LA	There may be situations where a firm, based on an evaluation of threats in accordance with the general provisions above, concludes that it is not appropriate for an individual who is a key audit partner to continue in that role even though the length of time served as a key audit partner is less than seven years. In evaluating the threats, particular consideration shall be given to the roles undertaken and the length of the individual's association with the audit engagement prior to an individual becoming a key audit partner.	<p>R540.20 In evaluating the threats created by an individual's long association with an audit engagement, a firm shall give particular consideration to the roles undertaken and the length of an individual's association with the audit engagement prior to the individual becoming a key audit partner.</p> <p>540.20 A1 There might be situations where the firm, in applying the conceptual framework, concludes that it is not appropriate for an individual who is a key audit partner to continue in that role even though the length of time served as a key audit partner is less than seven years.</p>	
290.166 LA	Despite paragraphs 290.153 – 290.161, key audit partners whose continuity is especially important to audit quality may, in rare cases due to unforeseen circumstances outside the firm's	<p>R540.7 As an exception to R540.6, key audit partners whose continuity is especially important to audit quality may, in rare cases due to unforeseen circumstances</p>	

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	control, and with the concurrence of those charged with governance, be permitted to serve an additional year as a key audit partner as long as the threat to independence can be eliminated or reduced to an acceptable level by applying safeguards. For example, a key audit partner may remain in that role on the audit team for up to one additional year in circumstances where, due to unforeseen events, a required rotation was not possible, as might be the case due to serious illness of the intended engagement partner. The firm shall discuss with those charged with governance the reasons why the planned rotation cannot take place and the need for any safeguards to reduce any threat created.	<p>outside the firm’s control, and with the concurrence of those charged with governance, be permitted to serve an additional year as a key audit partner as long as the threat to independence can be eliminated or reduced to an acceptable level.</p> <p>540.7 A1 For example, a key audit partner may remain in that role on the audit team for up to one additional year in circumstances where, due to unforeseen events, a required rotation was not possible, as might be the case due to serious illness of the intended engagement partner. In such circumstances, this will involve the firm discussing with those charged with governance the reasons why the planned rotation cannot take place and the need for any safeguards to reduce any threat created.</p>	
290.167 LA	When an audit client becomes a public interest entity, the length of time the individual has served the audit client as a key audit partner before the client becomes a public interest entity shall be taken into account in determining the timing of the rotation. If the individual has served the audit client as a key audit partner for a period of five cumulative years or less when the client becomes a	<p>R540.8 If an audit client becomes a public interest entity, a firm shall take into account the length of time an individual has served the audit client as a key audit partner before the client becomes a public interest entity in determining the timing of the rotation. If the individual has served the audit client as a key audit partner for a period of five</p>	

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	<p>public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven years less the number of years already served. If the individual has served the audit client as a key audit partner for a period of six or more cumulative years when the client becomes a public interest entity, the partner may continue to serve in that capacity with the concurrence of those charged with governance for a maximum of two additional years before rotating off the engagement.</p>	<p>cumulative years or less when the client becomes a public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven years less the number of years already served. As an exception to R540.6, if the individual has served the audit client as a key audit partner for a period of six or more cumulative years when the client becomes a public interest entity, the individual may continue to serve in that capacity with the concurrence of those charged with governance for a maximum of two additional years before rotating off the engagement.</p>	
290.168 LA	<p>When a firm has only a few people with the necessary knowledge and experience to serve as a key audit partner on the audit of a public interest entity, rotation of key audit partners may not be an available safeguard. If an independent regulator in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a key audit partner for more than seven years, in accordance with such regulation, provided that the independent regulator has specified other requirements which are to be applied, such as</p>	<p>R540.9 When a firm has only a few people with the necessary knowledge and experience to serve as a key audit partner on the audit of a public interest entity, rotation of key audit partners might not be possible. As an exception to paragraph R540.6, if an independent regulator in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a key audit partner for more than seven years, in accordance with such exemption. This</p>	

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	the length of time that the key audit partner may be exempted from rotation or a regular independent external review.	is provided that the independent regulator has specified other requirements which are to be applied, such as the length of time that the key audit partner may be exempted from rotation or a regular independent external review.	
Effective Date LA	<p>Subject to the transitional provision below, paragraphs 290.148 to 290.168 are effective for audits of financial statements for periods beginning on or after December 15, 2018. Paragraphs 291.137 to 291.141 are effective as of December 15, 2018. Early adoption is permitted.</p> <p>Paragraph 290.163 shall have effect only for audits of financial statements for periods beginning prior to December 15, 2023. This will facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.</p>	<p>Subject to the transitional provision below, Section 540 is effective for audits of financial statements for years beginning on or after December 15, 2018. Section 940 is effective as of December 15, 2018. Early adoption is permitted.</p> <p>Paragraph R540.18 shall have effect only for audits of financial statements for periods beginning prior to December 15, 2023. This will facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.</p>	

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Section 600 Provision of Non-assurance Services to an Audit Client			
	600.1	Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	
290.154	Firms have traditionally provided to their audit clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the audit team. The threats created are most often self-review, self-interest and advocacy threats.	600.2	Firms and network firms might provide a range of non-assurance services to their audit clients, consistent with their skills and expertise. Providing non-assurance services to audit clients might create threats to compliance with the fundamental principles and threats to independence.
290.155	New developments in business, the evolution of financial markets and changes in information technology make it impossible to draw up an all-inclusive list of non-assurance services that might be provided to an audit client. When specific guidance on a particular non-assurance service is not included in this section, the conceptual framework shall be applied when evaluating the particular circumstances.	600.3	Section 600 sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when providing non-assurance services to audit clients. The subsections that follow set out specific requirements and application material relevant to providing certain non-assurance services to audit clients and indicate the types of threats that might be created as a result. In some cases, these

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		subsections expressly prohibit a firm or network firm from providing certain services to an audit client because the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.	
290.156	Before the firm accepts an engagement to provide a non-assurance service to an audit client, a determination shall be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the audit team has reason to believe is created by providing other related non-assurance services. If a threat is created that cannot be reduced to an acceptable level by the application of safeguards, the non-assurance service shall not be provided.	R600.4 Before a firm or a network firm accepts an engagement to provide a non-assurance service to an audit client, the firm shall determine whether providing such a service would create a threat to independence.	
		600.4 A3 Factors that are relevant in evaluating the level of any threats created by providing a non-assurance service to an audit client include: <ul style="list-style-type: none"> • The nature of the service, and the degree of reliance, if any, that will be placed on the outcome of that service as part of the audit. 	New paragraph

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		<ul style="list-style-type: none"> • Whether the outcome of the service will affect matters reflected in the financial statements on which the firm will express an opinion, and, if so: <ul style="list-style-type: none"> ○ The extent to which the outcome of the service will have a material effect on the financial statements. ○ The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements. ○ The extent of the audit client's involvement in determining significant matters of judgment. • The level of expertise of the client's employees with respect to the type of service provided; • The nature and extent of the impact of the service, if any, on the systems that generate information that form a significant part of the client's: <ul style="list-style-type: none"> ○ Accounting records or 	

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		<p>financial statements on which the firm will express an opinion.</p> <ul style="list-style-type: none"> ○ Internal controls over financial reporting. • Whether the audit client is a public interest entity. For example, providing a non-assurance service to an audit client that is a public interest entity might be perceived to result in a higher level of a threat. <p>The subsections that follow include more specific factors that are relevant in evaluating the level of any threats created by providing certain non-assurance services.</p>	
		<p>600.5 A1 The subsections that follow refer to materiality in relation to an audit client's financial statements. The concept of materiality is addressed in ISA 320, <i>Materiality in Planning and Performing an Audit</i>. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also</p>	New paragraph

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		affected by perceptions of the financial information needs of users.	
		600.6 A1 A firm or network firm might provide multiple non-assurance services to an audit client. When providing a non-assurance service to an audit client, applying the conceptual framework requires the firm to consider any combined effect of threats created by other non-assurance services provided to the audit client.	New paragraph
290.157	<p>A firm may provide non-assurance services that would otherwise be restricted under this section to the following related entities of the audit client:</p> <p>(a) An entity, which is not an audit client, that has direct or indirect control over the audit client;</p> <p>(b) An entity, which is not an audit client, with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or</p> <p>(c) An entity, which is not an audit client, that is under common control with the audit client,</p> <p>if it is reasonable to conclude that (a) the services do not create a self-review threat because the results of the services will not be</p>	<p>R600.10 Section 600 prohibits assuming management responsibilities or providing certain non-assurance services to audit clients. As an exception to those requirements, a firm or network firm may assume management responsibilities or provide non-assurance services that would otherwise be prohibited to the following related entities of the client on whose financial statements the firm will express an opinion:</p> <p>(a) An entity that has direct or indirect control over the client;</p> <p>(b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the</p>	Revised material also takes into account paragraph 290.161 of the extant Code

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	subject to audit procedures and (b) any threats that are created by the provision of such services are eliminated or reduced to an acceptable level by the application of safeguards.	<p>client is material to such entity; or</p> <p>(c) An entity which is under common control with the client, provided that all of the following conditions are met:</p> <p>(i) The firm or a network firm does not express an opinion on the financial statements of the related entity;</p> <p>(ii) The firm or a network firm does not assume a management responsibility, directly or indirectly, for the entity on whose financial statements the firm will express an opinion;</p> <p>(iii) The services do not create a self-review threat because the results of the services will not be subject to audit procedures; and</p> <p>(iv) The firm applies the conceptual framework to eliminate any threats created or reduce them to an acceptable level.</p>	
290.158	A non-assurance service provided to an audit client does not compromise the firm's independence when the client becomes a public interest entity if:	R600.9 A non-assurance service provided by a firm or a network firm to an audit client does not compromise the firm's	

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	<p>(a) The previous non-assurance service complies with the provisions of this section that relate to audit clients that are not public interest entities;</p> <p>(b) Services that are not permitted under this section for audit clients that are public interest entities are terminated before or as soon as practicable after the client becomes a public interest entity; and</p> <p>(c) The firm applies safeguards when necessary to eliminate or reduce to an acceptable level any threats to independence arising from the service.</p>	<p>independence when the client becomes a public interest entity if:</p> <p>(a) The previous non-assurance service complies with the requirements and application material of Section 600 that relate to audit clients that are not public interest entities;</p> <p>(b) Services that are not permitted under Section 600 for audit clients that are public interest entities are ended before, or as soon as practicable after, the client becomes a public interest entity; and</p> <p>(c) The firm applies the conceptual framework to identify, evaluate and address any threats that are created.</p>	
290.159	Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.	600.7 A2 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.	
290.160	Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of	600.7 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the	

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<p>judgment. Examples of activities that would be considered a management responsibility include:</p> <ul style="list-style-type: none"> • Setting policies and strategic direction. • Hiring or dismissing employees. • Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity. • Authorizing transactions. • Controlling or managing of bank accounts or investments. • Deciding which recommendations of the firm or other third parties to implement. • Reporting to those charged with governance on behalf of management. • Taking responsibility for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework. • Taking responsibility for designing, implementing, monitoring or maintaining internal controls. 	<p>exercise of judgment. Examples of activities that would be considered a management responsibility include:</p> <ul style="list-style-type: none"> • Setting policies and strategic direction. • Hiring or dismissing employees. • Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity. • Authorizing transactions • Controlling or managing bank accounts or investments. • Deciding which recommendations of the firm or other third parties to implement. • Reporting to those charged with governance on behalf of management. • Taking responsibility: <ul style="list-style-type: none"> ○ For the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; ○ For designing, 	

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			implementing, monitoring or maintaining internal control.
290.161	A firm shall not assume a management responsibility for an audit client. The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. Subject to compliance with paragraph 290.162, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.	<p>R600.7 A firm or a network firm shall not assume a management responsibility for an audit client.</p> <p>600.7 A1 Providing a non-assurance service to an audit client creates self-review and self-interest threats if the firm assumes a management responsibility. Assuming a management responsibility also creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management.</p> <p>600.7 A4 Providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility. (Ref: Para. R600.7 to 600.7 A3).</p>	
290.162	To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the responsibility of management. This includes ensuring that the client's management:	<p>R600.8 To avoid the risk of assuming management responsibility when providing non-assurance services to an audit client, the firm or a network firm shall be satisfied that client management makes all judgments and decisions that are the proper</p>	

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<ul style="list-style-type: none"> • Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client’s decisions and to oversee the services. Such an individual, preferably within senior management, would understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services; • Provides oversight of the services and evaluates the adequacy of the results of the services performed for the client’s purpose; and • Accepts responsibility for the actions, if any, to be taken arising from the results of the services. 	<p>responsibility of management. This includes ensuring that the client’s management:</p> <ul style="list-style-type: none"> (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client’s decisions and to oversee the services. Such an individual, preferably within senior management, would understand: <ul style="list-style-type: none"> (i) The objectives, nature and results of the services; and (ii) The respective client and firm responsibilities. <p>However, the individual is not required to possess the expertise to perform or re-perform the services.</p> (b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client’s purpose. (c) Accepts responsibility for the actions, if any, to be taken 	

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		arising from the results of the services.	
290.163	Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include word processing services, preparing administrative or statutory forms for client approval, submitting such forms as instructed by the client, monitoring statutory filing dates, and advising an audit client of those dates. Providing such services does not generally create a threat to independence. However, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.	<p>602.1 Providing administrative services to an audit client does not usually create a threat.</p> <p>602.3 A1 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature.</p> <p>602.3 A2 Examples of administrative services include:</p> <ul style="list-style-type: none"> • Word processing services; • Preparing administrative or statutory forms for client approval; • Submitting such forms as instructed by the client; • Monitoring statutory filing dates, and advising an audit client of those dates. 	
		602.2 Subsection 602 sets out specific application material relevant to applying the conceptual framework when providing administrative services. The requirements and	New introductory material.

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		application material set out in Section 600 are relevant to this subsection	
		601.2 Subsection 601 sets out specific requirements and application material relevant to applying the conceptual framework when providing an audit client with accounting and bookkeeping services. There are some circumstances in which providing accounting and bookkeeping services to an audit client is expressly prohibited because the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.	New introductory material.
290.164	<p>Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include:</p> <ul style="list-style-type: none"> • Determining accounting policies and the accounting treatment within those policies. • Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for 	601.3 A2 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include: <ul style="list-style-type: none"> • Determining accounting policies and the accounting treatment in accordance with those policies. • Preparing or changing source documents or originating data, in electronic or other form, 	

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	<p>example, purchase orders, payroll time records, and customer orders).</p> <ul style="list-style-type: none"> Originating or changing journal entries, or determining or approving the account classifications of transactions. 	<p>evidencing the occurrence of a transaction. Examples include:</p> <ul style="list-style-type: none"> Purchase orders. Payroll time records. Customer orders. <ul style="list-style-type: none"> Originating or changing journal entries, or determining the account classifications of transactions. 	
290.165	<p>Providing an audit client with accounting and bookkeeping services, such as preparing accounting records or financial statements, creates a self-review threat when the firm subsequently audits the financial statements.</p>	<p>601.1 Providing accounting and bookkeeping services to an audit client might create a self-review threat.</p> <p>601.3 A1 Accounting and bookkeeping services comprise a broad range of services including:</p> <ul style="list-style-type: none"> Preparing accounting records and financial statements. Bookkeeping and payroll services. 	
290.166	<p>The audit process, however, necessitates dialogue between the firm and management of the audit client, which may involve:</p> <ul style="list-style-type: none"> The application of accounting standards or policies and financial statement disclosure requirements; The appropriateness of financial and accounting control and the methods 	<p>601.3 A3 The audit process necessitates dialogue between the firm and management of the audit client, which might involve:</p> <ul style="list-style-type: none"> Applying accounting standards or policies and financial statement disclosure requirements. 	

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	<p>used in determining the stated amounts of assets and liabilities; or</p> <ul style="list-style-type: none"> Proposing adjusting journal entries. <p>These activities are considered to be a normal part of the audit process and do not, generally, create threats to independence so long as the client is responsible for making decisions in the preparation of the accounting records and financial statements.</p>	<ul style="list-style-type: none"> Assessing the appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities. Proposing adjusting journal entries. <p>These activities are considered to be a normal part of the audit process and do not usually create threats so long as the client is responsible for making decisions in the preparation of accounting records and financial statements.</p>	
290.167	<p>Similarly, the client may request technical assistance from the firm on matters such as resolving account reconciliation problems or analyzing and accumulating information for regulatory reporting. In addition, the client may request technical advice on accounting issues such as the conversion of existing financial statements from one financial reporting framework to another (for example, to comply with group accounting policies or to transition to a different financial reporting framework such as International Financial Reporting Standards). Such services do not, generally, create threats to independence provided the firm does not assume a management responsibility for the client.</p>	<p>601.3 A4</p> <p>Similarly, the client might request technical assistance on matters such as resolving account reconciliation problems or analyzing and accumulating information for regulatory reporting. In addition, the client might request technical advice on accounting issues such as the conversion of existing financial statements from one financial reporting framework to another. Examples include:</p> <ul style="list-style-type: none"> Complying with group accounting policies. Transitioning to a different financial reporting framework 	

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		<p style="text-align: center;">such as International Financial Reporting Standards.</p> <p>Such services do not usually create threats provided the firm does not assume a management responsibility for the client.</p>	
290.168	<p>The firm may provide services related to the preparation of accounting records and financial statements to an audit client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level. Services that are routine or mechanical in nature require little to no professional judgment from the professional accountant. Some examples of such services are:</p> <ul style="list-style-type: none"> • Preparing payroll calculations or reports based on client-originated data for approval and payment by the client. • Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification. • Recording a transaction for which the client has already determined the amount to be recorded, even though 	<p>601.4 A1 Accounting and bookkeeping services that are routine or mechanical in nature require little or no professional judgment by the professional accountant. Some examples of these services are:</p> <ul style="list-style-type: none"> • Preparing payroll calculations or reports based on client-originated data for approval and payment by the client; • Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification; • Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values. 	

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	<p>the transaction involves a significant degree of subjectivity.</p> <ul style="list-style-type: none"> • Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values. • Posting client-approved entries to the trial balance. • Preparing financial statements based on information in the client-approved trial balance and preparing the related notes based on client-approved records. <p>In all cases, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Arranging for such services to be performed by an individual who is not a member of the audit team; or • If such services are performed by a member of the audit team, using a partner or senior staff member with appropriate expertise who is not a member of the audit team to review the work performed. 	<ul style="list-style-type: none"> • Posting transactions coded by the client to the general ledger. • Posting client-approved entries to the trial balance. • Preparing financial statements based on information in the client-approved trial balance and preparing related notes based on client-approved records. <p>601.5 A1 Examples of actions that might be safeguards to address the self-review threats created when providing accounting and bookkeeping services to an audit client include:</p> <ul style="list-style-type: none"> • Using professionals who are not audit team members to perform the accounting and bookkeeping service. • If such services are performed by an audit team member, using a partner or senior professionals who is not an audit team member, with appropriate expertise to review the work performed. 	
290.169	A firm shall not provide to an audit client that is a public interest entity accounting and	R601.6 A firm or a network firm shall not provide to an audit client that is not a	Network firm explicitly stated for clarity.

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	bookkeeping services, including payroll services, or prepare financial statements on which the firm will express an opinion or financial information which forms the basis of the financial statements.	<p>public interest entity, services related to accounting and bookkeeping services, on financial information which forms the basis of the financial statements on which the firm will express an opinion unless:</p> <p>(a) The services are of a routine or mechanical nature; and</p> <p>(b) The firm addresses any threats created by providing such services.</p> <p>R601.7 A firm or a network firm shall not provide to an audit client that is a public interest entity accounting and bookkeeping services including preparing financial statements on which the firm will express an opinion, or financial information which forms the basis of the financial statements.</p>	
290.170	Despite paragraph 290.169, a firm may provide accounting and bookkeeping services, including payroll services and the preparation of financial statements or other financial information, of a routine or mechanical nature for divisions or related entities of an audit client that is a public interest entity if the personnel providing the services are not members of the audit team and:	<p>R601.8 As an exception to paragraph R601.6, a firm may provide accounting and bookkeeping services of a routine or mechanical nature for divisions or related entities of an audit client that is a public interest entity if the personnel providing the services are not audit team members and:</p> <p>(a) The divisions or related entities for which the service is provided</p>	

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	<p>(a) The divisions or related entities for which the service is provided are collectively immaterial to the financial statements on which the firm will express an opinion; or</p> <p>(b) The services relate to matters that are collectively immaterial to the financial statements of the division or related entity.</p>	<p>are collectively immaterial to the financial statements on which the firm will express an opinion; or</p> <p>(b) The services relate to matters that are collectively immaterial to the financial statements of the division or related entity.</p>	
290.171	A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques, and the combination of both to compute a certain value, or range of values, for an asset, a liability or for a business as a whole.	603.3 A1 A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques, and the combination of both to compute a certain value, or range of values, for an asset, a liability or for a business as a whole.	
290.172	Performing valuation services for an audit client may create a self-review threat.	603.1 Providing valuation services to an audit client might create a self-review threat.	
	<p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> • Whether the valuation will have a material effect on the financial statements. • The extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgment. 	<p>603.4 A1 Factors that are relevant in evaluating the level of any threat created by providing valuation services to an audit client include:</p> <ul style="list-style-type: none"> • The extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgment. 	

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<ul style="list-style-type: none"> • The availability of established methodologies and professional guidelines. • For valuations involving standard or established methodologies, the degree of subjectivity inherent in the item. • The reliability and extent of the underlying data. • The degree of dependence on future events of a nature that could create significant volatility inherent in the amounts involved. <p>The extent and clarity of the disclosures in the financial statements.</p> <p><u>The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<ul style="list-style-type: none"> • The degree of subjectivity inherent in the item for valuations involving standard or established methodologies. • Whether the valuation will have a material effect on the financial statements. • The extent and clarity of the disclosures related to the valuation in the financial statements. • The degree of dependence on future events of a nature that might create significant volatility inherent in the amounts involved. 	
<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Having a professional who was not involved in providing the valuation service review the audit or valuation work performed; or • Making arrangements so that personnel providing such services do not participate in the audit engagement. 	<p>603.4 A2 Examples of actions that might be safeguards to address the self-review threats created when providing valuation services to an audit client include:</p> <ul style="list-style-type: none"> • Using professionals who are not audit team members to perform the valuation services service. • Having a professional who was not involved in providing the 	

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		valuation service review the audit or valuation work performed.	
		603.2 Subsection 603 sets out specific requirements and application material relevant to applying the conceptual framework when providing a valuation service to an audit client. In some circumstances, providing certain valuations services to an audit client is expressly prohibited because the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.	New introductory material.
290.173	Certain valuations do not involve a significant degree of subjectivity. This is likely the case where the underlying assumptions are either established by law or regulation, or are widely accepted and when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.	603.5 A1 Certain valuations do not involve a significant degree of subjectivity. This is likely to be the case when the underlying assumptions are either established by law or regulation, or are widely accepted and when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.	

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290.174	If a firm is requested to perform a valuation to assist an audit client with its tax reporting obligations or for tax planning purposes and the results of the valuation will not have a direct effect on the financial statements, the provisions included in paragraph 290.188 apply.	603.3 A2 If a firm is requested to perform a valuation to assist an audit client with its tax reporting obligations or for tax planning purposes and the results of the valuation will not have a direct effect on the financial statements, the application material set out in paragraphs 604.12 A1–604.1A A1, relating to such services apply.	
290.175	In the case of an audit client that is not a public interest entity, if the valuation service has a material effect on the financial statements on which the firm will express an opinion and the valuation involves a significant degree of subjectivity, no safeguards could reduce the self-review threat to an acceptable level. Accordingly a firm shall not provide such a valuation service to an audit client.	R603.5 A firm or a network firm shall not provide a valuation service to an audit client that is not a public interest entity if: <ul style="list-style-type: none"> (a) The valuation involves a significant degree of subjectivity; and (b) The valuation will have a material effect on the financial statements on which the firm will express an opinion. 	Network firm explicitly stated for clarity.
290.176	A firm shall not provide valuation services to an audit client that is a public interest entity if the valuations would have a material effect, separately or in the aggregate, on the financial statements on which the firm will express an opinion.	R603.6 A firm or a network firm shall not provide valuation services to an audit client that is a public interest entity if the valuation services would have a material effect, separately or in the aggregate, on the financial statements on which the firm will express an opinion.	Network firm explicitly stated for clarity.

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290.177	<p>Taxation services comprise a broad range of services, including:</p> <ul style="list-style-type: none"> • Tax return preparation; • Tax calculations for the purpose of preparing the accounting entries; • Tax planning and other tax advisory services; and • Assistance in the resolution of tax disputes. <p>While taxation services provided by a firm to an audit client are addressed separately under each of these broad headings; in practice, these activities are often interrelated.</p>	<p>604.3 A1 Taxation services comprise a broad range of services, including:</p> <ul style="list-style-type: none"> • Tax return preparation. • Tax calculations for the purpose of preparing the accounting entries. • Tax planning and other tax advisory services. • Assistance in the resolution of tax disputes. <p>While this subsection deals with different types of taxation services described above separately under separate headings, in practice, the activities involved in providing taxation services are often interrelated.</p>	
		<p>604.2 Subsection 604 sets out specific requirements and application material relevant to applying the conceptual framework when providing a taxation service to an audit client. In some circumstances, providing certain taxation services to an audit client is expressly prohibited because the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to</p>	New introductory material.

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290.178	<p>Performing certain tax services creates self-review and advocacy threats.</p> <p>The existence and significance of any threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The system by which the tax authorities assess and administer the tax in question and the role of the firm in that process; • The complexity of the relevant tax regime and the degree of judgment necessary in applying it; • The particular characteristics of the engagement; and • The level of tax expertise of the client's employees. 	<p style="text-align: center;">this subsection.</p> <p>604.1 Providing taxation services to an audit client might create a self-review or advocacy threat.</p> <p>604.4 A2 Factors that are relevant in evaluating the level of any threat created by providing taxation services to audit clients include:</p> <ul style="list-style-type: none"> • The particular characteristics of the engagement. • The level of tax expertise of the client's employees. • The system by which the tax authorities assess and administer the tax in question and the role of the firm in that process. • The complexity of the relevant tax regime and the degree of judgment necessary in applying it. 	
290.179	<p>Tax return preparation services involve assisting clients with their tax reporting obligations by drafting and completing information, including the amount of tax due (usually on standardized forms) required to be submitted to the applicable tax authorities. Such services also include</p>	<p>604.5 A1 Providing tax return preparation services does not usually create a threat.</p> <p>604.5 A2 Tax return preparation services involve:</p> <ul style="list-style-type: none"> • Assisting clients with their tax reporting obligations by drafting 	

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<p>advising on the tax return treatment of past transactions and responding on behalf of the audit client to the tax authorities' requests for additional information and analysis (including providing explanations of and technical support for the approach being taken). Tax return preparation services are generally based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice. Further, the tax returns are subject to whatever review or approval process the tax authority deems appropriate. Accordingly, providing such services does not generally create a threat to independence if management takes responsibility for the returns including any significant judgments made.</p>	<p>and compiling information, including the amount of tax due (usually on standardized forms) required to be submitted to the applicable tax authorities.</p> <ul style="list-style-type: none"> • Advising on the tax return treatment of past transactions and responding on behalf of the audit client to the tax authorities' requests for additional information and analysis (for example, including providing explanations of and technical support for the approach being taken). <p>604.5 A3 Tax return preparation services are usually based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice. Further, the tax returns are subject to whatever review or approval process the tax authority considers appropriate.</p>	

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290.180	Preparing calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of preparing accounting entries that will be subsequently audited by the firm creates a self-review threat.	604.6 A1 Preparing calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of preparing accounting entries that will be subsequently audited by the firm creates a self-review threat.	
	<p>The significance of the threat will depend on:</p> <ul style="list-style-type: none"> • The complexity of the relevant tax law and regulation and the degree of judgment necessary in applying them; • The level of tax expertise of the client's personnel; and • The materiality of the amounts to the financial statements. <p>Safeguards shall be applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the audit team to perform the service; • If the service is performed by a member of the audit team, using a partner or senior staff member with appropriate expertise who is not a member of the audit team to review the tax calculations; or • Obtaining advice on the service from an external tax professional. 	<p>604.7 A1 In addition to paragraph 604.4 A2, factors that are relevant in evaluating the level of any threat created by preparing tax calculations for the purpose of preparing accounting entries for an audit client include:</p> <ul style="list-style-type: none"> • The complexity of the relevant tax law and regulation and the degree of judgment necessary in applying them. • The materiality of the amounts to the financial statements. <p>604.7 A2 Examples of actions that might be safeguards to address self-review threats created when providing tax calculations for the purpose of preparing accounting entries for an audit client that is not a public interest entity include:</p> <ul style="list-style-type: none"> • Using tax professionals who are not audit team members to perform the tax calculations. 	

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		<ul style="list-style-type: none"> If the service is performed by an audit team member, using a professional with appropriate expertise who is not an audit team member to review the tax calculations. 	
290.181	In the case of an audit client that is a public interest entity, a firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion.	R604.8 A firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an audit client that is a public interest entity for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion.	Network firm explicitly stated for clarity.
290.182	Tax planning or other tax advisory services comprise a broad range of services, such as advising the client how to structure its affairs in a tax efficient manner or advising on the application of a new tax law or regulation.	604.9 A2 Tax planning or other tax advisory services comprise a broad range of services, such as advising the client how to structure its affairs in a tax efficient manner or advising on the application of a new tax law or regulation.	
290.183	A self-review threat may be created where the advice will affect matters to be reflected in the financial statements. The existence and significance of any threat will depend on factors such as: <ul style="list-style-type: none"> The degree of subjectivity involved in determining the appropriate treatment for 	604.9 A1 Providing tax planning and other tax advisory services might create a self-review or advocacy threat. 604.10 A1 In addition to paragraph 604.4 A2, factors that are relevant in evaluating the level of any threat created by providing tax advice to audit clients include:	

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<p>the tax advice in the financial statements;</p> <ul style="list-style-type: none"> • The extent to which the outcome of the tax advice will have a material effect on the financial statements; • Whether the effectiveness of the tax advice depends on the accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the accounting treatment or presentation under the relevant financial reporting framework; • The level of tax expertise of the client's employees; • The extent to which the advice is supported by tax law or regulation, other precedent or established practice; and • Whether the tax treatment is supported by a private ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements. <p>For example, providing tax planning and other tax advisory services where the advice is clearly supported by tax authority or other precedent, by established practice or has a basis in tax law that is likely to prevail does not generally create a threat to independence.</p>	<ul style="list-style-type: none"> • The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the financial statements. • Whether the tax treatment is supported by a private ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements. For example, whether the advice provided as a result of the tax planning and other tax advisory services is: <ul style="list-style-type: none"> ○ Clearly supported by tax authority or other precedent; ○ Established practice; or ○ Has a basis in tax law that is likely to prevail. • The extent to which the outcome of the tax advice will have a material effect on the financial statements. • Whether the effectiveness of the tax advice depends on the accounting treatment or 	

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		presentation in the financial statements and there is doubt as to the appropriateness of the accounting treatment or presentation under the relevant financial reporting framework.	
290.184	<p>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the audit team to perform the service; • Having a tax professional, who was not involved in providing the tax service, advise the audit team on the service and review the financial statement treatment; • Obtaining advice on the service from an external tax professional; or • Obtaining pre-clearance or advice from the tax authorities. 	<p>604.10 A2 Examples of actions that might be safeguards to address self-review threats created when providing tax planning and other tax advisory services include:</p> <ul style="list-style-type: none"> • Using tax professionals who are not audit team members to perform the tax service. • Having a professional, who was not involved in providing the tax service review the financial statement treatment. • Obtaining pre-clearance from the tax authorities. 	

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290.185	<p>Where the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements and:</p> <ul style="list-style-type: none"> • The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and • The outcome or consequences of the tax advice will have a material effect on the financial statements on which the firm will express an opinion; <p>The self-review threat would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, a firm shall not provide such tax advice to an audit client.</p>	<p>R604.11 A firm or a network firm shall not provide taxation advisory services to an audit client when the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements and:</p> <p>(a) The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and</p> <p>(b) The outcome or consequences of the tax advice will have a material effect on the financial statements on which the firm will express an opinion.</p>	Network firm explicitly stated for clarity.
		604.12 A1 Providing tax valuation services to an audit client might create a self-review threat.	New introductory material.
290.186	<p>In providing tax services to an audit client, a firm may be requested to perform a valuation to assist the client with its tax reporting obligations or for tax planning purposes. Where the result of the valuation will have a direct effect on the financial statements, the provisions included in paragraphs 290.172 to</p>	604.14 A1 A firm or network firm might also perform a tax valuation to assist an audit client with its tax reporting obligations or for tax planning purposes where the result of the valuation will have a direct effect on the financial statements. In such situations, the requirements and	Network firm explicitly stated for clarity.

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	<p>290.177 relating to valuation services are applicable.</p> <p>Where the valuation is performed for tax purposes only and the result of the valuation will not have a direct effect on the financial statements (that is, the financial statements are only affected through accounting entries related to tax), this would not generally create threats to independence if such effect on the financial statements is immaterial or if the valuation is subject to external review by a tax authority or similar regulatory authority.</p>	<p>604.12 A2</p> <p>application material set out in Subsection 603 relating to valuation services apply.</p> <p>A firm or a network firm might perform a valuation for tax purposes only where the result of the valuation will not have a direct effect on the financial statements (that is, the financial statements are only affected through accounting entries related to tax). This would not usually create threats if the effect on the financial statements is immaterial or the valuation is subject to external review by a tax authority or similar regulatory authority.</p>	

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<p>If the valuation is not subject to such an external review and the effect is material to the financial statements, the existence and significance of any threat created will depend upon factors such as:</p> <ul style="list-style-type: none"> • The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice and the degree of subjectivity inherent in the valuation. • The reliability and extent of the underlying data. <p><u>The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<p>604.12 A3 If the valuation that is performed for tax purposes is not subject to such an external review and the effect is material to the financial statements, in addition to paragraph 604.4 A2, the following factors are relevant to evaluating the level of any threat created by providing those services to an audit client:</p> <ul style="list-style-type: none"> • The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice. • The degree of subjectivity inherent in the valuation. • The reliability and extent of the underlying data. 	
<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the audit team to perform the service; • Having a professional review the audit work or the result of the tax service; or • Obtaining pre-clearance or advice from the tax authorities. 	<p>604.13 A1 Examples of actions that might be safeguards to address self-review or advocacy threats when providing taxation services involving valuations include:</p> <ul style="list-style-type: none"> • Using tax professionals who are not audit team members to perform the service. 	

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		<ul style="list-style-type: none"> • Having a professional review the audit work or the result of the tax service. • Obtaining pre-clearance from the tax authorities. 	
290.187	<p>An advocacy or self-review threat may be created when the firm represents an audit client in the resolution of a tax dispute once the tax authorities have notified the client that they have rejected the client's arguments on a particular issue and either the tax authority or the client is referring the matter for determination in a formal proceeding, for example before a tribunal or court.</p> <p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> • Whether the firm has provided the advice which is the subject of the tax dispute; • The extent to which the outcome of the dispute will have a material effect on the financial statements on which the firm will express an opinion; 	<p>604.15 A1 Providing assistance in the resolution of tax disputes to an audit client might create an advocacy or self-review threat.</p> <p>604.15 A2 A tax dispute might reach a point when the tax authorities have notified an audit client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding, for example before a tribunal or court.</p> <p>604.16 A3 In addition to paragraph 604.4 A2, factors that are relevant in evaluating the level of any threat created by assisting in the resolution of tax disputes to an audit client include:</p> <ul style="list-style-type: none"> • The role management plays in the resolution of the dispute. • The extent to which the outcome of the dispute will have a material effect on the financial 	Network firm explicitly stated for clarity.

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<ul style="list-style-type: none"> • The extent to which the matter is supported by tax law or regulation, other precedent, or established practice; • Whether the proceedings are conducted in public; and • The role management plays in the resolution of the dispute. <p><u>The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the audit team to perform the service; • Having a tax professional, who was not involved in providing the tax service, advise the audit team on the services and review the financial statement treatment; or • Obtaining advice on the service from an external tax professional. 	<p style="text-align: right;">statements on which the firm will express an opinion.</p> <ul style="list-style-type: none"> • Whether the advice which is the subject of the tax dispute has been provided by either the firm or network firm. • The extent to which the matter is supported by tax law or regulation, other precedent, or established practice. • Whether the proceedings are conducted in public. <p>604.16 A4 Examples of actions that might be safeguards to address self-review or advocacy threats created by having a role in the resolution of tax disputes include:</p> <ul style="list-style-type: none"> • Using professionals who are not audit team members to perform the tax service. • Having a professional, who was not involved in providing the tax service review the financial statement treatment. 	

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290.188	Where the taxation services involve acting as an advocate for an audit client before a public tribunal or court in the resolution of a tax matter and the amounts involved are material to the financial statements on which the firm will express an opinion, the advocacy threat created would be so significant that no safeguards could eliminate or reduce the threat to an acceptable level. Therefore, the firm shall not perform this type of service for an audit client.	<p>R604.16 A firm or a network firm shall not provide taxation services that involve assisting in the resolution of tax disputes to an audit client if:</p> <p>(a) The services involve acting as an advocate for the audit client before a public tribunal or court in the resolution of a tax matter; and</p> <p>(b) The amounts involved are material to the financial statements on which the firm will express an opinion.</p>	Network firm explicitly stated for clarity.
	What constitutes a “public tribunal or court” shall be determined according to how tax proceedings are heard in the particular jurisdiction.	604.16 A1 What constitutes a “public tribunal or court” depends on how tax proceedings are heard in the particular jurisdiction.	
290.189	The firm is not, however, precluded from having a continuing advisory role (for example, responding to specific requests for information, providing factual accounts or testimony about the work performed or assisting the client in analyzing the tax issues) for the audit client in relation to the matter that is being heard before a public tribunal or court.	<p>604.16 A2 Paragraph R604.16 does not preclude a firm from having a continuing advisory role in relation to the matter that is being heard before a public tribunal or court, for example:</p> <ul style="list-style-type: none"> • Responding to specific requests for information. • Providing factual accounts or testimony about the work performed. • Assisting the client in analyzing 	

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		the tax issues in the matter.	
		<p>605.2 Subsection 605 sets out specific requirements and application material relevant to applying the conceptual framework when providing an internal audit service to an audit client. In some circumstances, providing certain internal audit services is expressly prohibited because the threats created cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.</p>	New introductory material.
290.190	<p><u>The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of management and those charged with governance.</u> Internal audit activities may include:</p> <ul style="list-style-type: none"> • Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements thereto; • Examination of financial and operating information – reviewing the means used to identify, measure, classify and report financial and operating information, and specific inquiry into individual items 	<p>605.3 A2 The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of management and those charged with governance.</p> <p>605.3 A1 Internal audit services involve assisting the audit client in the performance of its internal audit activities. Internal audit activities might include:</p> <ul style="list-style-type: none"> • Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements to them. 	

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	<p>including detailed testing of transactions, balances and procedures;</p> <ul style="list-style-type: none"> • Review of the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity; and • Review of compliance with laws, regulations and other external requirements, and with management policies and directives and other internal requirements. 	<ul style="list-style-type: none"> • Examining financial and operating information by: <ul style="list-style-type: none"> ○ Reviewing the means used to identify, measure, classify and report financial and operating information. ○ Inquiring specifically into individual items including detailed testing of transactions, balances and procedures. 	
		<ul style="list-style-type: none"> • Reviewing the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity. • Reviewing compliance with: <ul style="list-style-type: none"> ○ Laws, regulations and other external requirements. ○ Management policies, directives and other internal requirements. 	

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290.191	<p>Internal audit services involve assisting the audit client in the performance of its internal audit activities.</p> <p>The provision of internal audit services to an audit client creates a self-review threat to independence if the firm uses the internal audit work in the course of a subsequent external audit.</p> <p>Performing a significant part of the client's internal audit activities increases the possibility that firm personnel providing internal audit services will assume a management responsibility.</p>	605.1	The provision of internal audit services to an audit client might create a self-review threat.	
		605.4 A1	Performing a significant part of the client's internal audit activities increases the possibility that firm personnel providing internal audit services will assume a management responsibility. If the firm's personnel assume a management responsibility when providing internal audit services to an audit client, the threat created cannot be eliminated or reduced to an acceptable level by applying a safeguard.	
	<p>If the firm's personnel assume a management responsibility when providing internal audit services to an audit client, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, a firm's personnel shall not assume a management responsibility when providing internal audit services to an audit client.</p>	605.4 A1	Performing a significant part of the client's internal audit activities increases the possibility that firm personnel providing internal audit services will assume a management responsibility. If the firm's personnel assume a management responsibility when providing internal audit services to an audit client, the threat created cannot be eliminated or reduced to an acceptable level by applying a safeguard.	

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290.192	<p>Examples of internal audit services that involve assuming management responsibilities include:</p> <p>(a) Setting internal audit policies or the strategic direction of internal audit activities;</p> <p>(b) Directing and taking responsibility for the actions of the entity's internal audit employees;</p> <p>(c) Deciding which recommendations resulting from internal audit activities shall be implemented;</p> <p>(d) Reporting the results of the internal audit activities to those charged with governance on behalf of management;</p> <p>(e) Performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges;</p> <p>(f) Taking responsibility for designing, implementing and maintaining internal control; and</p> <p>(g) Performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the firm is responsible for determining the scope of the internal audit work and may have responsibility for one or more of the matters noted in (a)–(f).</p>	<p>605.4 A2 Examples of internal audit services that involve assuming management responsibilities include:</p> <ul style="list-style-type: none"> • Setting internal audit policies or the strategic direction of internal audit activities. • Directing and taking responsibility for the actions of the entity's internal audit employees. • Deciding which recommendations resulting from internal audit activities to implement. • Reporting the results of the internal audit activities to those charged with governance on behalf of management. • Performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges. • Taking responsibility for designing, implementing, monitoring and maintaining internal control. 	

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		<ul style="list-style-type: none"> • Performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the firm: <ul style="list-style-type: none"> ○ Is responsible for determining the scope of the internal audit work; and ○ Might have responsibility for one or more of the matters noted above. 	
290.193	<p>To avoid assuming a management responsibility, the firm shall only provide internal audit services to an audit client if it is satisfied that:</p> <p>(a) The client designates an appropriate and competent resource, preferably within senior management, to be responsible at all times for internal audit activities and to acknowledge responsibility for designing, implementing, and maintaining internal control;</p> <p>(b) The client's management or those charged with governance reviews, assesses and approves the scope, risk and frequency of the internal audit services;</p>	<p>R605.4 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility when providing an internal audit service to an audit client. When providing an internal audit service to an audit client, the firm shall be satisfied that:</p> <p>(a) The client designates an appropriate and competent resource, preferably within senior management, to:</p> <p>(i) Be responsible at all times for internal audit activities; and</p> <p>(ii) Acknowledge responsibility for</p>	Network firm explicitly stated for clarity.

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	<p>(c) The client's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;</p> <p>(d) The client's management evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and</p> <p>(e) The client's management reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.</p>	<p style="text-align: center;">designing, implementing, monitoring and maintaining internal control.</p> <p>(b) The client's management or those charged with governance reviews, assesses and approves the scope, risk and frequency of the internal audit services;</p> <p>(c) The client's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;</p> <p>(d) The client's management evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and</p> <p>(e) The client's management reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.</p>	
290.194	When a firm uses the work of an internal audit function, ISAs require the performance of procedures to evaluate the adequacy of	605.6 A1 When a firm uses the work of an internal audit function in an audit engagement, International Standards	

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<p>that work. When a firm accepts an engagement to provide internal audit services to an audit client, and the results of those services will be used in conducting the external audit, a self-review threat is created because of the possibility that the audit team will use the results of the internal audit service without appropriately evaluating those results or exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm.</p> <p>The significance of the threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The materiality of the related financial statement amounts; • The risk of misstatement of the assertions related to those financial statement amounts; and • The degree of reliance that will be placed on the internal audit service. <p><u>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>An example of such a safeguard is using professionals who are not members of the audit team to perform the internal audit service.</p>	<p>on Auditing require the performance of procedures to evaluate the adequacy of that work. When a firm accepts an engagement to provide internal audit services to an audit client, the results of those services might be used in conducting the external audit. This creates a self-review threat because it is possible that the audit team will use the results of the internal audit service for purposes of the audit engagement without:</p> <ul style="list-style-type: none"> • Appropriately evaluating those results; or • Exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm. <hr/> <p>605.5 A1 Factors that are relevant in evaluating the level of any threat created by providing internal audit services to an audit client include:</p> <ul style="list-style-type: none"> • The materiality of the related financial statement amounts; • The risk of misstatement of the assertions related to those financial statement amounts; and 	

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		<ul style="list-style-type: none"> • The degree of reliance that the audit team will place on the work of the internal audit service, including in the course of an external audit. <p>605.5 A2 An example of an action that might be a safeguard to address self-review threats created by providing internal audit services is using professionals who are not audit team members to perform the internal audit service.</p>	
290.195	<p>In the case of an audit client that is a public interest entity, a firm shall not provide internal audit services that relate to:</p> <p>(a) A significant part of the internal controls over financial reporting;</p> <p>(b) Financial accounting systems that generate information that is, separately or in the aggregate, significant to the client's accounting records or financial statements on which the firm will express an opinion; or</p> <p>(c) Amounts or disclosures that are, separately or in the aggregate, material to the financial statements on which the firm will express an opinion.</p>	<p>R605.7 A firm or a network firm shall not provide internal audit services to an audit client that is a public interest entity, if the services relate to:</p> <p>(a) A significant part of the internal controls over financial reporting;</p> <p>(b) Financial accounting systems that generate information that is, separately or in the aggregate, material to the client's accounting records or financial statements on which the firm will express an opinion; or</p> <p>(c) Amounts or disclosures that are, separately or in the aggregate, material to the financial</p>	Network firm explicitly stated for clarity.

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		statements on which the firm will express an opinion.	
290.196	<p>Services related to information technology (IT) systems include the design or implementation of hardware or software systems. The systems may aggregate source data, form part of the internal control over financial reporting or generate information that affects the accounting records or financial statements, or the systems may be unrelated to the audit client's accounting records, the internal control over financial reporting or financial statements.</p> <p>Providing systems services may create a self-review threat depending on the nature of the services and the IT systems.</p>	<p>606.1 Providing information technology (IT) systems services to an audit client might create a self-review threat.</p> <p>606.3 A1 Services related to information technology systems include the design or implementation of hardware or software systems. The IT systems might:</p> <ul style="list-style-type: none"> (a) Aggregate source data; (b) Form part of the internal control over financial reporting; or (c) Generate information that affects the accounting records or financial statements, including related disclosures. <p>However, the IT systems might also involve matters that are unrelated to the audit client's accounting records or the internal control over financial reporting or financial statements.</p>	
		606.2 Subsection 606 sets out specific requirements and application material relevant to applying the conceptual framework when providing an IT service to an audit client. In some circumstances, providing certain IT	New introductory material.

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		<p>services is expressly prohibited because the threats created cannot be eliminated or there can be no safeguards reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.</p>	
290.197	<p>The following IT systems services are deemed not to create a threat to independence as long as the firm's personnel do not assume a management responsibility:</p> <ul style="list-style-type: none"> (a) Design or implementation of IT systems that are unrelated to internal control over financial reporting; (b) Design or implementation of IT systems that do not generate information forming a significant part of the accounting records or financial statements; (c) Implementation of "off-the-shelf" accounting or financial information reporting software that was not developed by the firm if the customization required to meet the client's needs is not significant; and (d) Evaluating and making recommendations with respect to a system designed, implemented or operated by another service provider or the client. 	<p>606.3 A2 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility when providing an IT service to an audit client. Providing the following IT services to an audit client does not usually create a threat as long as personnel of the firm or network firm do not assume a management responsibility:</p> <ul style="list-style-type: none"> (a) Designing or implementing IT systems that are unrelated to internal control over financial reporting; (b) Designing or implementing IT systems that do not generate information forming a significant part of the accounting records or financial statements; (c) Implementing "off-the-shelf" accounting or financial 	<p>Network firm explicitly stated for clarity.</p>

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		<p>information reporting software that was not developed by the firm, if the customization required to meet the client's needs is not significant; and</p> <p>(d) Evaluating and making recommendations with respect to a system designed, implemented or operated by another service provider or the client.</p>	
		<p>606.4 A1 Factors that are relevant in evaluating the level of any threat created by providing IT systems services to an audit client include:</p> <ul style="list-style-type: none"> • The nature of the services. • The nature of IT systems. • The degree of reliance that will be placed on the particular IT systems as part of the audit. 	New paragraph

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290.198	Providing services to an audit client that is not a public interest entity involving the design or implementation of IT systems that (a) form a significant part of the internal control over financial reporting or (b) generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion creates a self-review threat.	<p>R606.5 A firm or a network firm shall not provide an IT systems service to an audit client that is not a public interest entity if the service involves the design or implementation of IT systems that:</p> <p>(a) Form a significant part of the internal control over financial reporting; or</p> <p>(b) Generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion,</p> <p>unless appropriate policies and procedures are put in place ensuring that:</p> <p>(i) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;</p> <p>(ii) The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;</p>	Network firm explicitly stated for clarity.
290.199	The self-review threat is too significant to permit such services unless appropriate safeguards are put in place ensuring that:		

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	(e) The client is responsible for operating the system (hardware or software) and for the data it uses or generates.	<p>(iii) The client makes all management decisions with respect to the design and implementation process;</p> <p>(iv) The client evaluates the adequacy and results of the design and implementation of the system; and</p> <p>(v) The client is responsible for operating the system (hardware or software) and for the data it uses or generates.</p>	
290.200	Depending on the degree of reliance that will be placed on the particular IT systems as part of the audit, a <u>determination shall be made as to whether to provide such non-assurance services only with personnel who are not members of the audit team and who have different reporting lines within the firm.</u>		Underlined text is included in the requirement to comply the conceptual framework.
	<u>The significance of any remaining threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u> An example of such a safeguard is having a professional accountant review the audit or non-assurance work.	606.4 A2 An example of an action that might be a safeguard to address self-review threats created when providing IT systems services to an audit client is using personnel who are not audit team members.	
290.201	In the case of an audit client that is a public interest entity, a firm shall not provide services involving the design or	R606.6 A firm or a network firm shall not provide IT systems services to an audit client that is a public interest entity if the	Network firm explicitly stated for clarity.

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	implementation of IT systems that (a) form a significant part of the internal control over financial reporting or (b) generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion.	<p>services involve designing or implementing IT systems that:</p> <p>(a) Form a significant part of the internal control over financial reporting; or</p> <p>(b) Generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion.</p>	
290.202	<p>Litigation support services may include activities such as acting as an expert witness, calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute, and assistance with document management and retrieval.</p> <p>These services may create a self-review or advocacy threat.</p>	<p>607.1 Providing litigation support services to an audit client might create a self-review or advocacy threat.</p> <p>607.3 A1 Litigation support services might include activities such as:</p> <ul style="list-style-type: none"> • Assisting with document management and retrieval, • Acting as a witness, including an expert witness. • Calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute. 	New introductory material.
		<p>607.2 Subsection 607 sets out specific application material relevant to applying the conceptual framework when providing a litigation support</p>	New introductory material.

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		service to an audit client. The application material set out in Section 600 is relevant to this subsection.	
		<p>607.4 A1 Factors that are relevant in evaluating the level of any threat created by providing litigation support services to an audit client include:</p> <ul style="list-style-type: none"> • The legal and regulatory environment in which the service is provided, for example, whether an expert witness is chosen and appointed by a court. • The nature and characteristics of the service. • The extent to which the outcome of the litigation support service will have a material effect on the financial statements on which the firm will express an opinion. 	New paragraph
290.203	If the firm provides a litigation support service to an audit client and the service involves estimating damages or other amounts that affect the financial statements on which the firm will express an opinion, the valuation service provisions included in paragraphs 290.172 to 290.177 shall be followed. <u>In the case of other litigation support services, the significance of any threat created shall be evaluated and</u>	607.4 A2 If a firm or a network firm provides a litigation support service to an audit client and the service involves estimating damages or other amounts that affect the financial statements on which the firm will express an opinion, the requirements and application material set out in Subsection 603 related to valuation services apply.	Network firm explicitly stated for clarity. Underlined text is included in the requirement to comply the conceptual framework.

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	<u>safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u>		
290.204	For the purpose of this section, legal services are defined as any services for which the person providing the services must either be admitted to practice law before the courts of the jurisdiction in which such services are to be provided or have the required legal training to practice law. Such legal services may include, depending on the jurisdiction, a wide and diversified range of areas including both corporate and commercial services to clients, such as contract support, litigation, mergers and acquisition legal advice and support and assistance to clients' internal legal departments. Providing legal services to an entity that is an audit client may create both self-review and advocacy threats.	<p>608.1 Providing legal services to an audit client might create a self-review or advocacy threat.</p> <p>608.3 A1 Legal services are defined as any services for which the individual providing the services must either:</p> <p>(a) Have the required legal training to practice law; or</p> <p>(b) Be admitted to practice law before the courts of the jurisdiction in which such services are to be provided.</p> <p>608.4 A1 Legal advisory services that support an audit client might create self-review threats.</p> <p>608.4 A2 Depending on the jurisdiction, legal advisory services might include a wide and diversified range of areas including both corporate and commercial services to clients, such as:</p> <ul style="list-style-type: none"> • Contract support. • Supporting an audit client in executing a transaction. 	

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		<ul style="list-style-type: none"> • Mergers and acquisition. • Support and assistance to clients' internal legal departments. • Legal due diligence and restructuring. 	
		<p>608.2 Subsection 608 sets out specific requirements and application material relevant to applying the conceptual framework when providing a legal service to an audit client. In some circumstances, providing certain legal services is expressly prohibited because the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.</p>	New introductory material.

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290.205	<p>Legal services that support an audit client in executing a transaction (for example, contract support, legal advice, legal due diligence and restructuring) may create self-review threats. The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the service; • Whether the service is provided by a member of the audit team; and • The materiality of any matter in relation to the client's financial statements. <p><u>The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the audit team to perform the service; or • Having a professional who was not involved in providing the legal services provide advice to the audit team on the service and review any financial statement treatment. 	<p>608.5 A1 Factors that are relevant in evaluating the level of any threats created by providing legal advisory services to an audit client include:</p> <ul style="list-style-type: none"> • The nature of the service. • Whether the service is provided by an audit team member. • The materiality of any matter in relation to the client's financial statements. <p>608.5 A2 Examples of actions that might be safeguards to address self-review and advocacy threats created when providing legal advisory services include:</p> <ul style="list-style-type: none"> • Using professionals who are not audit team members to perform the service. • Having a professional who was not involved in providing the legal advisory services review any accounting treatment and any financial statement treatment. 	Underlined text is included in the requirement to comply the conceptual framework.

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290.206	Acting in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are material to the financial statements on which the firm will express an opinion would create advocacy and self-review threats so significant that no safeguards could reduce the threat to an acceptable level. Therefore, the firm shall not perform this type of service for an audit client.	<p>608.7 A1 Acting in an advocacy role for an audit client in resolving a dispute or litigation might create advocacy and self-review threats.</p> <p>R608.8 A firm or a network firm shall not act in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are material to the financial statements on which the firm will express an opinion.</p>	Network firm explicitly stated for clarity.
290.207	<p>When a firm is asked to act in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are not material to the financial statements on which the firm will express an opinion, <u>the firm shall evaluate the significance of any advocacy and self-review threats created and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the audit team to perform the service; or • Having a professional who was not involved in providing the legal services advise the audit team on the service and review any financial statement treatment. 	<p>608.9 A1 Examples of actions that might be safeguards to address self-review and advocacy threats created when acting in an advocacy role for an audit client when the amounts involved are not material to the financial statements on which the firm will express an opinion include:</p> <ul style="list-style-type: none"> • Using professionals who are not audit team members to perform the service. • Having a professional who was not involved in providing the legal services review any accounting treatment and any financial statement treatment. 	Underlined text is included in the requirement to comply the conceptual framework.

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290.208	The appointment of a partner or an employee of the firm as General Counsel for legal affairs of an audit client would create self-review and advocacy threats that are so significant that no safeguards could reduce the threats to an acceptable level. The position of General Counsel is generally a senior management position with broad responsibility for the legal affairs of a company, and consequently, no member of the firm shall accept such appointment for an audit client.		Network firm explicitly stated for clarity.
290.209	Providing recruiting services to an audit client may create self-interest, familiarity or intimidation threats.	R609.5 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility. When providing recruiting services to an audit client, the firm or the network firm shall not act as a negotiator on the client's behalf, and the hiring decision shall be made by the client.	
	The existence and significance of any threat will depend on factors such as: <ul style="list-style-type: none"> • The nature of the requested assistance; and • The role of the person to be recruited. <u>The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u>	609.4 A1 Factors that are relevant in evaluating the level of any threat created by providing recruiting services to an audit client include: <ul style="list-style-type: none"> • The nature of the requested assistance. • The role of the individual to be recruited. 	

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	<p>609.4 A2 An example of an action that might be a safeguard to address self-interest, familiarity or intimidation threats created by providing recruiting services include is using professionals who are not audit team members to perform the service</p>	
	<p>In all cases, the firm shall not assume management responsibilities, including acting as a negotiator on the client's behalf, and the hiring decision shall be left to the client.</p>	<p>Covered in general provisions of Section 600.</p>
	<p>609.3 A1 Providing the following services does not usually create threats:</p> <ul style="list-style-type: none"> • Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the post. • Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions. 	
290.210	<p>R609.6 A firm or a network firm shall not provide a recruiting service to an audit</p>	<p>Requirement is extended to non-PIEs.</p>

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	<p>or officer of the entity or senior management 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:</p> <p>(a) Searching for or seeking out candidates for such positions; and</p> <p>(b) Undertaking reference checks of prospective candidates for such positions.</p>	<p>client with respect to a director or officer of the entity or senior management 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 if the service involves:</p> <p>(a) Searching for or seeking out candidates for such positions; and</p> <p>(b) Undertaking reference checks of prospective candidates for such positions.</p>	<p>Network firm explicitly stated for clarity.</p>
		<p>610.2 Subsection 610 sets out specific requirements and application material relevant to applying the conceptual framework when providing a corporate finance services to an audit client. In some circumstances, providing corporate finance services to an audit client is expressly prohibited because the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.</p>	<p>New introductory material.</p>

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290.211	<p>Providing corporate finance services such as:</p> <p>(a) Assisting an audit client in developing corporate strategies;</p> <p>(b) Identifying possible targets for the audit client to acquire;</p> <p>(c) Advising on disposal transactions;</p> <p>(d) Assisting finance raising transactions; and</p> <p>(e) Providing structuring advice, may create advocacy and self-review threats.</p>	610.1	<p>Providing corporate finance services to an audit client might create an advocacy or self-review threat.</p>	
		610.3 A1	<p>Examples of corporate finance services that might create a threat include:</p> <ul style="list-style-type: none"> • Assisting an audit client in developing corporate strategies. • Identifying possible targets for the audit client to acquire. • Advising on disposal transactions. • Assisting in finance raising transactions. • Providing structuring advice. • Providing advice on the structuring of a corporate finance transaction or on financing arrangements that will directly affect amounts that will be reported in the financial statements on which the firm will express an opinion. 	
	<p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>Examples of such safeguards include:</p>			<p>Withdrawn this material was duplicated in extant paragraph 290.213.</p>

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	<ul style="list-style-type: none"> • Using professionals who are not members of the audit team to provide the services; or • Having a professional who was not involved in providing the corporate finance service advise the audit team on the service and review the accounting treatment and any financial statement treatment. 	
290.212	<p>Providing a corporate finance service, for example advice on the structuring of a corporate finance transaction or on financing arrangements that will directly affect amounts that will be reported in the financial statements on which the firm will provide an opinion may create a self-review threat.</p> <p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the financial statements; • The extent to which the outcome of the corporate finance advice will directly affect amounts recorded in the financial statements and the extent to which the amounts are 	<p>610.4 A1 Factors that are relevant in evaluating the level of any threat created by providing corporate finance services to an audit client include:</p> <ul style="list-style-type: none"> • The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the financial statements. • The extent to which: <ul style="list-style-type: none"> ○ The outcome of the corporate finance advice will directly affect amounts recorded in the financial statements. ○ The amounts are material to the financial statements.

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	<p>material to the financial statements; and</p> <ul style="list-style-type: none"> Whether the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework. <p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> Using professionals who are not members of the audit team to perform the service; or Having a professional who was not involved in providing the corporate finance service to the client advise the audit team on the service and review the accounting treatment and any financial statement treatment. 	<ul style="list-style-type: none"> Whether the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework. <p>610.4 A2 Examples of actions that might be safeguards to address advocacy or self-review threats created by providing a corporate finance service to an audit client include:</p> <ul style="list-style-type: none"> Using professionals who are not audit team members to perform the service. Having professional who was not involved in providing the corporate finance service advise the audit team on the service and review the accounting treatment and any financial statement treatment. 	
290.213	Where the effectiveness of corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and:	R610.6 A firm or a network firm shall not provide corporate finance advice to an audit client where the effectiveness of corporate finance advice depends on	Network firm explicitly stated for clarity. Underlined text is covered by the

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<ul style="list-style-type: none"> • The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and • The outcome or consequences of the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion. <p><u>The self-review threat would be so significant that no safeguards could reduce the threat to an acceptable level, in which case the corporate finance advice shall not be provided.</u></p>	<p>a particular accounting treatment or presentation in the financial statements and:</p> <ul style="list-style-type: none"> (a) The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and (b) The outcome or consequences of the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion. 	<p>enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
<p>290.214</p> <p>Providing corporate finance services involving promoting, dealing in, or underwriting an audit client's shares would create an advocacy or self-review threat that is so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, a firm shall not provide such services to an audit client.</p>	<p>R610.5</p> <p>A firm or a network firm shall not provide corporate finance services to an audit client that involve promoting, dealing in, or underwriting the audit client's shares.</p>	

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Section 410 Fees		
290.215	<p>When the total fees from an audit client represent a large proportion of the total fees of the firm expressing the audit opinion, the dependence on that client and concern about losing the client creates a self-interest or intimidation threat. The significance of the threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The operating structure of the firm; • Whether the firm is well established or new; and • The significance of the client qualitatively and/or quantitatively to the firm. 	<p>410.4 A1 When the total fees generated from an audit client by the firm expressing the audit opinion represent a large proportion of the total fees of that firm, the dependence on that client and concern about losing the client create a self-interest or intimidation threat. Factors that are relevant in evaluating the level of those threats include:</p> <ul style="list-style-type: none"> • The operating structure of the firm. • Whether the firm is well established or new. • The significance of the client qualitatively and/or quantitatively to the firm.
	<p>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p>	<p>410.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>410.2 The nature and level of fees or other types of remuneration might create self-interest or intimidation threats.</p> <p>410.3 Section 410 sets out specific requirements and application material</p>

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		relevant to applying the conceptual framework to fees or other types of remuneration.	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Reducing the dependency on the client; • External quality control reviews; or <p>Consulting a third party, such as a professional regulatory body or a professional accountant, on key audit judgments.</p>	<p>410.4 A2</p> <p>Examples of actions that might be safeguards to address threats created by the firm's dependence on fees charged to the audit client include:</p> <ul style="list-style-type: none"> • Increasing the client base in the firm to reduce dependence on the audit client. • External quality control reviews. • Consulting a third party, such as a professional or regulatory body or a professional accountant, on key audit judgments. 	
290.216	<p>A self-interest or intimidation threat is also created when the fees generated from an audit client represent a large proportion of the revenue from an individual partner's clients or a large proportion of the revenue of an individual office of the firm.</p>	<p>410.5 A1</p> <p>A self-interest or intimidation threat is also created when the fees generated by a firm from an audit client represent a large proportion of the revenue of one partner or one office of the firm.</p>	
	<p>The significance of the threat will depend upon factors such as:</p> <ul style="list-style-type: none"> • The significance of the client qualitatively and/or quantitatively to the partner or office; and 	<p>410.5 A2</p> <p>Factors that are relevant in evaluating the level of any threat created by dependence of one partner or office on fees generated from an audit client include:</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<ul style="list-style-type: none"> The extent to which the remuneration of the partner, or the partners in the office, is dependent upon the fees generated from the client. 	<ul style="list-style-type: none"> The significance of the client qualitatively and/or quantitatively to the partner or office. The extent to which the compensation of the partner, or the partners in the office, is dependent upon the fees generated from the client. 	
	<p>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p>		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> Reducing the dependency on the audit client; Having a professional accountant review the work or otherwise advise as necessary; or Regular independent internal or external quality reviews of the engagement. 	<p>410.5 A3</p> <p>Examples of actions that might be safeguards to address threats created by fees generated from an audit client include:</p> <ul style="list-style-type: none"> Increasing the client base of the partner or the office to reduce dependence on the audit client. Having a professional accountant review the work as necessary. Regular independent internal or external quality reviews of the engagement. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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290.217	<p>Where an audit client is a public interest entity and, for two consecutive years, the total fees from the client and its related entities (subject to the considerations in paragraph 290.27) represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall disclose to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm, and discuss which of the safeguards below it will apply to reduce the threat to an acceptable level, and apply the selected safeguard:</p> <ul style="list-style-type: none"> • Prior to the issuance of the audit opinion on the second year's financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, performs an engagement quality control review of that engagement or a professional regulatory body performs a review of that engagement that is equivalent to an engagement quality control review ("a pre-issuance review"); or • After the audit opinion on the second year's financial statements has been issued, and before the issuance of 	<p>R410.6 Where an audit client is a public interest entity and, for two consecutive years, the total fees from the client and its related entities represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall:</p> <p>(a) Disclose to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm; and</p> <p>(b) Discuss whether either of the following actions might be a safeguard to address the threat created by the total fees received by the firm from the client, and if so, apply it:</p> <p>(i) Prior to the audit opinion being issued on the second year's financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, performs an engagement quality control review of</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p>the audit opinion on the third year's financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional regulatory body performs a review of the second year's audit that is equivalent to an engagement quality control review ("a post-issuance review").</p>		<p>that engagement, or a professional body performs a review of that engagement that is equivalent to an engagement quality control review ("a pre-issuance review"); or</p> <p>(ii) After the audit opinion on the second year's financial statements has been issued, and before the audit opinion being issued on the third year's financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional body performs a review of the second year's audit that is equivalent to an engagement quality control review ("a post-issuance review").</p>	
	<p>When the total fees significantly exceed 15%, the firm shall determine whether the significance of the threat is such that a post-issuance review would not reduce the threat</p>	R410.7	<p>When the total fees described in paragraph R410.6 significantly exceed 15%, the firm shall determine whether the level of the threat is such that a</p>	

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	to an acceptable level and, therefore, a pre-issuance review is required. In such circumstances a pre-issuance review shall be performed.	post-issuance review would not reduce the threat to an acceptable level. If so, the firm shall have a pre-issuance review performed.	
	Thereafter, when the fees continue to exceed 15% each year, the disclosure to and discussion with those charged with governance shall occur and one of the above safeguards shall be applied. If the fees significantly exceed 15%, the firm shall determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review is required. In such circumstances a pre-issuance review shall be performed.	<p>R410.8 If the fees described in paragraph R410.6 continue to exceed 15%, the firm shall each year:</p> <p>(a) Disclose to and discuss with those charged with governance the matters set out in paragraph R410.6; and</p> <p>(b) Comply with paragraphs R410.6(b) and R410.7.</p>	
290.218	A self-interest threat may be created if fees due from an audit client remain unpaid for a long time, especially if a significant part is not paid before the issue of the audit report for the following year. Generally the firm is expected to require payment of such fees before such audit report is issued.	410.9 A1 A self-interest threat might be created if a significant part of fees is not paid before the audit report for the following year is issued. It is generally expected that the firm will require payment of such fees before such audit report is issued. The requirements and application material set out in Section 511 with respect to loans and guarantees might also be relevant to situations where such unpaid fees exist.	The IESBA believes that “generally” sets the proper level of rigor with necessary flexibility to exercise judgment.

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	If fees remain unpaid after the report has been issued, the existence and significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	An example of such a safeguard is having an additional professional accountant who did not take part in the audit engagement provide advice or review the work performed.	410.9 A2 Example of actions that might be safeguards to address threats created by overdue fees include: <ul style="list-style-type: none"> • Obtaining partial payment of fees. • Having an additional professional accountant, who did not take part in the audit engagement, or review the work performed. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
	The firm shall determine whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed or continue the audit engagement.	R410.10 When a significant part of fees due from an audit client remains unpaid for a long time, a firm shall determine: <ul style="list-style-type: none"> (a) Whether the overdue fees might be equivalent to a loan to the client; and (b) Whether it is appropriate for the firm to accept or continue the audit engagement because of the significance of the overdue fees. 	

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290.219	Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. For the purposes of this section, a fee is not regarded as being contingent if established by a court or other public authority.	410.11 A1 Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.	
290.220	A contingent fee charged directly or indirectly, for example through an intermediary, by a firm in respect of an audit engagement creates a self-interest threat that is so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, a firm shall not enter into any such fee arrangement.	R410.12 A firm shall not charge directly or indirectly a contingent fee for an audit engagement.	
290.221	A contingent fee charged directly or indirectly, for example through an intermediary, by a firm in respect of a non-assurance service provided to an audit client may also create a self-interest threat. The threat created would be so significant that no safeguards could reduce the threat to an acceptable level if: <ul style="list-style-type: none"> • The fee is charged by the firm expressing the opinion on the financial statements and the fee is 	R410.13 A firm or network firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an audit client, if: <ul style="list-style-type: none"> (a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm; (b) The fee is charged by a network firm that participates in a 	

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	<p>material or expected to be material to that firm;</p> <ul style="list-style-type: none"> The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements. <p>Accordingly, such arrangements shall not be accepted.</p>	<p>significant part of the audit and the fee is material or expected to be material to that firm; or</p> <p>(c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements.</p>	
290.222	<p>For other contingent fee arrangements charged by a firm for a non-assurance service to an audit client,</p>	<p>410.14 A1 Paragraphs R410.12 and R410.13 preclude a firm or a network firm from entering into certain contingent fee arrangements with an audit client. Even if such contingent fee arrangements are not precluded when providing a non-assurance service to an audit client, a self-interest threat might still be created.</p>	<p>Network firm explicitly stated for clarity.</p>
	<p>...the existence and significance of any threats will depend on factors such as:</p> <ul style="list-style-type: none"> The range of possible fee amounts; Whether an appropriate authority determines the outcome of the matter 	<p>410.14 A2 Factors that are relevant in evaluating the level of such threats include:</p> <ul style="list-style-type: none"> The range of possible fee amounts. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p>upon which the contingent fee will be determined;</p> <ul style="list-style-type: none"> • The nature of the service; and • The effect of the event or transaction on the financial statements. 	<ul style="list-style-type: none"> • Whether an appropriate authority determines the outcome on which the contingent fee depends. • The nature of the service. • The effect of the event or transaction on the financial statements. 	
	<p><u>...the significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</u></p>		<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text.</p>
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the relevant audit work or otherwise advise as necessary; or • Using professionals who are not members of the audit team to perform the non-assurance service. 	<p>410.14 A3 Examples of actions that might be safeguards to address threats created by a contingent fee include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the relevant audit work as necessary. • Using professionals who are not members of the audit team to perform the non-assurance service. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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Section 411 Compensation and Evaluation Policies			
290.223	<p>A self-interest threat is created when a member of the audit team is evaluated on or compensated for selling non-assurance services to that audit client.</p> <p>The significance of the threat will depend on:</p> <ul style="list-style-type: none"> • The proportion of the individual's compensation or performance evaluation that is based on the sale of such services; • The role of the individual on the audit team; and • Whether promotion decisions are influenced by the sale of such services. 	<p>411.4 A1 When an audit team member for a particular audit client is evaluated on or compensated for selling non-assurance services to that audit client, the level of the self-interest threat will depend on:</p> <ul style="list-style-type: none"> (a) What proportion of the compensation or evaluation is based on the sale of such services; (b) The role of the individual on the audit team; and (c) Whether the sale of such non-assurance services influences promotion decisions. 	Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
	<p>The significance of the threat shall be evaluated and, if the threat is not at an acceptable level, the firm shall either revise the compensation plan or evaluation process for that individual or apply safeguards to eliminate the threat or reduce it to an acceptable level.</p>	<p>411.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>411.2 A firm's evaluation or compensation policies might create self-interest threats.</p> <p>411.3 Section 411 sets out specific requirements and application material relevant to applying the conceptual</p>	<p>New introductory material.</p> <p>New introductory material.</p>

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		framework to compensation and evaluation policies.	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing such members from the audit team; or • Having a professional accountant review the work of the member of the audit team. 	<p>411.4 A2 An example of an action that might be a safeguard to address threats created by compensation and evaluation policies is having a professional accountant review the work of the audit team member.</p> <p>Actions that might eliminate those threats include:</p> <ul style="list-style-type: none"> • Revising the compensation plan or evaluation process for that individual. • Removing that individual from the audit team. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.224	A key audit partner shall not be evaluated on or compensated based on that partner's success in selling non-assurance services to the partner's audit client. This is not intended to prohibit normal profit-sharing arrangements between partners of a firm.	R411.5 A firm shall not evaluate or compensate a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client. This requirement does not preclude normal profit-sharing arrangements between partners of a firm.	
Section 420 Gifts and Hospitality			
290.225	Accepting gifts or hospitality from an audit client may create self-interest and familiarity threats. If a firm or a member of the audit	420.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual	

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	team accepts gifts or hospitality, unless the value is trivial and inconsequential, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level.	420.2	framework set out in Section 120 to identify, evaluate and address threats to independence. Accepting gifts or hospitality from an audit client might create self-interest, familiarity or other threats.	
		420.3	Section 420 sets out a specific requirement relevant to applying the conceptual framework to offers of gifts and hospitality.	
	Consequently, a firm or a member of the audit team shall not accept such gifts or hospitality.	R420.4	A firm, a network firm or an audit team member shall not accept gifts or hospitality from an audit client, unless the value is trivial and inconsequential.	Network firm explicitly stated for clarity.
Section 430 Actual or Threatened Litigation				
290.226	When litigation takes place, or appears likely, between the firm or a member of the audit team and the audit client, self-interest and intimidation threats are created.	430.2	When litigation occurs, or appears likely, between an audit client and the firm, a network firm or an audit team member, self-interest and intimidation threats are created.	Network firm explicitly stated for clarity.
	The relationship between client management and the members of the audit team must be characterized by complete candor and full disclosure regarding all aspects of a client's business operations. When the firm and the client's management are placed in adversarial positions by actual or threatened litigation, affecting management's willingness	430.4 A1	The relationship between client management and audit team members must be characterized by complete candor and full disclosure regarding all aspects of a client's operations. The adversarial positions which might result from actual or threatened litigation might affect management's	Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text

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	to make complete disclosures, self-interest and intimidation threats are created.	willingness to make complete disclosures and create self-interest and intimidation threats.	
	<p>The significance of the threats created will depend on such factors as:</p> <ul style="list-style-type: none"> • The materiality of the litigation; and • Whether the litigation relates to a prior audit engagement. 	<p>430.4 A2 Factors that are relevant in evaluating the level of such threats include:</p> <ul style="list-style-type: none"> • The materiality of the litigation. • Whether the litigation relates to a prior audit engagement. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
	The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.	<p>430.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>430.3 Section 430 sets out specific application material relevant to applying the conceptual framework to such actual or threatened litigation.</p>	New introductory material.
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • If the litigation involves a member of the audit team, removing that individual from the audit team; or • Having a professional review the work performed. <p>If such safeguards do not reduce the threats to an acceptable level, the only appropriate</p>	<p>430.4 A3 An example of an action that might be a safeguard to address threats created by actual or threatened litigation is to have a professional review the work performed.</p> <p>If the litigation involves an audit team member, an action that might eliminate the threat is removing that individual from the audit team.</p>	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	action is to withdraw from, or decline, the audit engagement.		

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Section 800 Reports that Include a Restriction on Use and Distribution				
290.500	<p>The independence requirements in Section 290 apply to all audit engagements. However, in certain circumstances involving audit engagements where the report includes a restriction on use and distribution, and provided the conditions described in paragraphs 290.501 to 290.502 are met, the independence requirements in this section may be modified as provided in paragraphs 290.505 to 290.514. These paragraphs are only applicable to an audit engagement on special purpose financial statements</p> <p>(a) <u>that is intended to provide a conclusion in positive or negative form that the financial statements are prepared in all material respects, in accordance with the applicable financial reporting framework, including, in the case of a fair presentation framework, that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework, and</u></p>	800.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	Underlined text accounted for in the definition of a review engagement in the Glossary.
		800.2	Section 800 sets out certain modifications to Part 4A (excluding this section) which are permitted in certain circumstances involving audits of special purpose financial statements where the report includes a restriction on use and distribution. In this section, an engagement to issue a restricted use and distribution report in the circumstances set out in paragraph R800.3 is referred to as an “eligible audit engagement”.	
		R800.3	A firm might issue a report on an audit of special purpose financial statements which includes a restriction on use and distribution. The independence requirements that apply in respect of such an engagement shall only be eligible for the modifications to Part 4A (excluding	

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	<p>(b) where the audit report includes a restriction on use and distribution.</p>	<p>this section) that are permitted by this section if:</p> <p>(a) The firm communicates with the intended users of the report regarding the modified independence requirements that are to be applied in providing the service; and</p> <p>(b) The intended users of the report understand the purpose and limitations of the report and explicitly agree to the application of the modifications.</p> <p>Where the intended users are a class of users who are not specifically identifiable by name at the time the engagement terms are established, the firm shall subsequently make such users aware of the modified independence requirements agreed to by their representative.</p>	
		<p>R800.4 When the firm performs an eligible audit engagement, any modifications to Part 4A (excluding this section) shall be limited to those set out in paragraphs R800.6 to R800.13. ...</p>	

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	The modifications are not permitted in the case of an audit of financial statements required by law or regulation.	R800.4 ... The firm shall not apply these modifications when an audit of financial statements is required by law or regulation.	
290.501	The modifications to the requirements of Section 290 are permitted if the intended users of the report (a) are knowledgeable as to the purpose and limitations of the report, and (b) explicitly agree to the application of the modified independence requirements.	R800.3 A firm might issue a report on an audit of special purpose financial statements which includes a restriction on use and distribution. The independence requirements that apply in respect of such an engagement shall only be eligible for the modifications to Part 4A (excluding this section) that are permitted by this section if: (a) ... (b) The intended users of the report understand the purpose and limitations of the report and explicitly agree to the application of the modifications.	
	Knowledge as to the purpose and limitations of the report may be obtained by the intended users through their participation, either directly or indirectly through their representative who has the authority to act for the intended users, in establishing the nature and scope of the engagement. Such participation enhances the ability of the firm to communicate with intended users about	800.3 A1 The intended users of the report might obtain an understanding of the purpose and limitations of the report by participating in establishing the nature and scope of the engagement. Such participation might be direct, or might be indirect through a representative who has authority to act for the intended users. In either case,	

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	independence matters, including the circumstances that are relevant to the evaluation of the threats to independence and the applicable safeguards necessary to eliminate the threats or reduce them to an acceptable level, and to obtain their agreement to the modified independence requirements that are to be applied.	this participation helps the firm to communicate with intended users about independence matters including the circumstances that are relevant to applying the conceptual framework. It also allows the firm to obtain the agreement of the intended users to the modified independence requirements.	
290.502	The firm shall communicate (for example, in an engagement letter) with the intended users regarding the independence requirements that are to be applied with respect to the provision of the audit engagement. Where the intended users are a class of users (for example, lenders in a syndicated loan arrangement) who are not specifically identifiable by name at the time the engagement terms are established, such users shall subsequently be made aware of the independence requirements agreed to by the representative (for example, by the representative making the firm's engagement letter available to all users).	R800.3 ... Where the intended users are a class of users who are not specifically identifiable by name at the time the engagement terms are established, the firm shall subsequently make such users aware of the modified independence requirements agreed to by their representative.	
		800.3 A2 For example, where the intended users are lenders in a syndicated loan arrangement, the firm might describe the modified independence requirements in an engagement letter to the representative of the lenders. The representative might then make the firm's engagement letter available to the members of the group of lenders to meet the requirement for the firm to make such users aware of the modified independence	

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		requirements agreed to by the representative.	
290.503	If the firm also issues an audit report that does not include a restriction on use and distribution for the same client, the provisions of paragraphs 290.500 to 290.514 do not change the requirement to apply the provisions of paragraphs 290.1 to 290.228 to that audit engagement.	R800.5 If the firm also issues an audit report that does not include a restriction on use and distribution for the same client, the firm shall apply Part 4A (excluding this section) to that audit engagement.	
290.504	The modifications to the requirements of Section 290 that are permitted in the circumstances set out above are described in paragraphs 290.505 to 290.514. <u>Compliance in all other respects with the provisions of Section 290 is required.</u>	R800.4 When the firm prepares an eligible restricted use audit report any modifications to Part 4A (excluding this section) shall be limited to those set out in paragraphs R800.6 to R800.13. The firm shall not apply these modifications when an audit of financial statements is required by law or regulation.	The underlined sentence has been omitted from the draft restructured Code because it is unnecessary to the meaning of the Code.
290.505	When the conditions set out in paragraphs 290.500 to 290.502 are met, it is not necessary to apply the additional requirements in paragraphs 290.100 to 290.228 that apply to audit engagements for public interest entities.	R800.6 When the firm performs an eligible audit engagement, the firm does not need to apply the independence requirements set out in Part 4A (excluding this section) that apply only to public interest entity audit engagements.	
290.506	When the conditions set out in paragraphs 290.500 to 290.502 are met, references to audit client do not include its related entities.	R800.7 When the firm performs an eligible audit engagement, references to audit client in Part 4A (excluding this	

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	However, when the audit team knows or has reason to believe that a relationship or circumstance involving a related entity of the client is relevant to the evaluation of the firm's independence of the client, the audit team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.		section) do not need to include its related entities. However, when the audit team knows or has reason to believe that a relationship or circumstance involving a related entity of the client is relevant to the evaluation of the firm's independence of the client, the audit team shall include that related entity when identifying, evaluating and addressing threats to independence.
290.507	When the conditions set out in paragraphs 290.500 to 290.502 are met, reference to the firm does not include network firms. However, when the firm knows or has reason to believe that threats are created by any interests and relationships of a network firm, they shall be included in the evaluation of threats to independence.	R800.8	When the firm performs an eligible audit engagement, the specific requirements regarding network firms set out in Part 4A (excluding this section) do not need to be applied. However, when the firm knows or has reason to believe that threats to independence are created by any interests and relationships of a network firm, the firm shall evaluate and address any such threat.
290.508	When the conditions set out in paragraphs 290.500 to 290.502 are met, the relevant provisions set out in paragraphs 290.102 to 290.143 apply only to the members of the engagement team, their immediate family members and close family members.	R800.9	When the firm performs an eligible audit engagement: (a) The relevant provisions set out in Sections 510, 511, 520, 521, 522, 524 and 525 need apply only to the members of the engagement team, their

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		immediate family members and close family members;	
290.509	<p>In addition, a determination shall be made as to whether threats to independence are created by interests and relationships, as described in paragraphs 290.102 to 290.143, between the audit client and the following members of the audit team:</p> <p>(a) Those who provide consultation regarding technical or industry specific issues, transactions or events; and</p> <p>(b) Those who provide quality control for the engagement, including those who perform the engagement quality control review.</p>	<p>R800.9 When the firm performs an eligible audit engagement: ...</p> <p>(b) The firm shall identify, evaluate and address any threats to independence that might be created by interests and relationships, as set out in Sections 510, 511, 520, 521, 522, 524 and 525, between the audit client and the following audit team members:</p> <p>(i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and</p> <p>(ii) Those who provide quality control for the engagement, including those who perform the engagement quality control review; and ...</p>	
	<u>An evaluation shall be made of the significance of any threats that the</u>	R800.9 When the firm performs an eligible audit engagement: ...	Underlined text is covered by the

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	engagement team has reason to believe are created by interests and relationships between the audit client and others within the firm who can directly influence the outcome of the audit engagement, including those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the audit engagement partner in connection with the performance of the audit engagement (including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent)).	<p>(c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the audit client and others within the firm who can directly influence the outcome of the audit engagement.</p> <hr/> <p>800.9 A1 Others within the firm who can directly influence the outcome of the audit engagement include:</p> <p>(a) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the audit engagement partner in connection with the performance of the audit engagement; and</p> <p>(b) Those at all successively senior levels above the engagement partner through to the individual who is the firm's Chief Executive or equivalent.</p>	enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
290.510	An <u>evaluation shall also be made of the significance of any threats that the engagement team has reason to believe are created by financial interests in the audit</u>	R800.10 When the firm performs an eligible audit engagement, the firm shall evaluate and address any threats that the engagement team has reason to	Underlined text is covered by the enhanced conceptual framework set out in

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	client held by individuals, as described in paragraphs 290.108 to 290.111 and paragraphs 290.113 to 290.115.	believe are created by financial interests in the audit client held by individuals, as set out in paragraphs R510.7(c) and (d), R510.8 R510.10 and R510.13(c) and (d).	Section 120 of the agreed-in-principle text
290.511	Where a threat to independence is not at an acceptable level, safeguards shall be applied to eliminate the threat or reduce it to an acceptable level.		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
290.512	In applying the provisions set out in paragraphs 290.106 and 290.115 to interests of the firm, if the firm has a material financial interest, whether direct or indirect, in the audit client, <u>the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level.</u> Accordingly, the firm shall not have such a financial interest.	R800.11 When the firm performs an eligible audit engagement, the firm, in applying the provisions set out in paragraphs R510.7(a), R510.9 and R510.10 to interests of the firm, shall not hold a material direct or a material indirect financial interest in the audit client.	The underlined words are not included in the text because they are Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
290.513	An evaluation shall be made <u>of the significance of any threats</u> from any employment relationships as described in paragraphs 290.132 to 290.136. <u>Where a threat exists that is not at an acceptable level, safeguards shall be applied to eliminate the threat or reduce it to an acceptable level.</u> Examples of safeguards	R800.12 When the firm performs an eligible audit engagement, the firm shall evaluate and address any threats created by any employment relationships as set out in paragraphs 524.4 A1 to 524.7 A2.	The underlined words are not included in the text because they are Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text

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	that might be appropriate include those set out in paragraph 290.134.	800.12 A1 Examples of actions that might be safeguards to address the threats set out in paragraph R800.12 include those set out in paragraph 524.5 A3.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.514	If the firm conducts an engagement to issue a restricted use and distribution report for an audit client and provides a non-assurance service to the audit client, the provisions of paragraphs 290.154 to 290.228 shall be complied with, subject to paragraphs 290.504 to 290.507.	R800.13 If the firm performs an eligible audit engagement and provides a non-assurance service to the audit client, the firm shall comply with Sections 410 to 430 and Section 600, including its subsections, subject to paragraphs R800.6 to R800.8.	

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PART 4B – INDEPENDENCE FOR OTHER ASSURANCE ENGAGEMENTS				
Section 900 Applying the Conceptual Framework to Independence for Other Assurance Engagements				
291.1	This section addresses independence requirements for assurance engagements that are not audit or review engagements. Independence requirements for audit and review engagements are addressed in Section 290.	900.1	Part 4B applies to assurance engagements other than audit and review engagements (referred to as “assurance engagements” in this Part). Examples of such engagements include: <ul style="list-style-type: none"> • An audit of specific elements, accounts or items of a financial statement. • Performance assurance on a company’s key performance indicators. 	These paragraphs in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.
		900.14	Independence standards for audit and review engagements are set out in Part 4A– <i>Independence for Audits and Reviews</i> .	
		900.2	In Part 4B, the term “professional accountant” refers to professional accountants in public practice and their firms.	
	If the assurance client is also an audit or review client, the requirements in Section 290 also apply to the firm, network firms and members of the audit or review team.			This sentence has been omitted from the draft restructured Code because it is

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			unnecessary to the meaning of the Code.
	In certain circumstances involving assurance engagements where the assurance report includes a restriction on use and distribution and provided certain conditions are met, the independence requirements in this section may be modified as provided in paragraphs 291.21 to 291.27.	900.13 An assurance report might include a restriction on use and distribution. If it does, and the conditions set out in Section 999 are met, then the independence requirements in Part 4B (excluding Section 999) may be modified as provided in Section 999.	
291.2	Assurance engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. The International Framework for Assurance Engagements (the Assurance Framework) issued by the International Auditing and Assurance Standards Board describes the elements and objectives of an assurance engagement and identifies engagements to which International Standards on Assurance Engagements (ISAEs) apply. For a description of the elements and objectives of an assurance engagement, refer to the Assurance Framework.	900.7 Assurance engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. The <i>International Framework for Assurance Engagements</i> (the Assurance Framework) describes the elements and objectives of an assurance engagement and identifies engagements to which ISAEs apply. For a description of the elements and objectives of an assurance engagement, refer to the Assurance Framework.	
291.3	Compliance with the fundamental principle of objectivity requires being independent of assurance clients. In the case of assurance engagements, it is in the public interest and,	R900.17 When a firm performing an assurance engagement has reason to believe that a threat to independence is created by a network firm's interests and	

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	therefore, required by this Code of Ethics, that members of assurance teams and firms be independent of assurance clients and that any threats that the firm has reason to believe are created by a network firm's interests and relationships be evaluated. In addition, when the assurance team knows or has reason to believe that a relationship or circumstance involving a related entity of the assurance client is relevant to the evaluation of the firm's independence from the client, the assurance team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.	<p>relationships, the firm shall evaluate any such threat.</p> <p>900.17 A1 Network firms are discussed in paragraphs R400.50 to 400.54 A1.</p> <p>R900.18 When the assurance team knows or has reason to believe that a relationship or circumstance involving a related entity of the assurance client is relevant to the evaluation of the firm's independence from the client, the assurance team shall include that related entity when identifying, evaluating and addressing threats to independence.</p>	
291.4	The objective of this section is to assist firms and members of assurance teams in applying the conceptual framework approach described below to achieving and maintaining independence.		This concept is covered by material in paragraph 900.4
291.5	<p>Independence comprises:</p> <p>(a) Independence of Mind</p> <p>The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.</p> <p>(b) Independence in Appearance</p>	<p>900.4 Independence is linked to the principles of objectivity and integrity. It comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with</p>	This paragraph in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.

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	<p>The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism has been compromised.</p>	<p>integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, that a firm's or an assurance team member's integrity, objectivity or professional skepticism has been compromised.</p> <p>In Part 4B, references to an individual or firm being "independent" mean that the individual or firm has complied with the provisions of this Part.</p>	
291.6	<p>The conceptual framework approach shall be applied by professional accountants to:</p> <p>(a) Identify threats to independence;</p> <p>(b) Evaluate the significance of the threats identified; and</p> <p>(c) Apply safeguards when necessary to eliminate the threats or reduce them to an acceptable level.</p> <p>When the professional accountant determines that appropriate safeguards are not available or cannot be applied to eliminate the threats or reduce them to an</p>	<p>900.5</p> <p>When performing assurance engagements, the Code requires firms to comply with the fundamental principles and be independent. Part 4B sets out requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 120 applies to independence as it does to the fundamental principles set out in Section 110.</p>	<p>This paragraph in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.</p>

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	<p>acceptable level, the professional accountant shall eliminate the circumstance or relationship creating the threats or decline or terminate the assurance engagement.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>	<p>R900.15 A firm performing an assurance engagement shall be independent.</p>	
		<p>R900.16 A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an assurance engagement.</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
291.7	<p>Many different circumstances, or combinations of circumstances, may be relevant in assessing threats to independence. It is impossible to define every situation that creates threats to independence and to specify the appropriate action. Therefore, this Code establishes a conceptual framework that requires firms and members of assurance teams to identify, evaluate, and address threats to independence. The conceptual framework approach assists professional accountants in public practice in complying with the ethical requirements in this Code. It accommodates many variations in circumstances that create threats to independence and can deter a professional accountant from concluding that a situation is permitted if it is not specifically prohibited.</p>	<p>900.6 Part 4B describes facts and circumstances, including professional activities, interests and relationships that create or might create threats to independence. Firms are required to apply the conceptual framework to threats to independence as well as to threats to the fundamental principles that are linked to independence. Part 4B describes potential threats, and safeguards and other actions that might be appropriate to address any such threats. It also identifies some situations where the threats cannot be eliminated and there can be no safeguards to reduce the threats to an acceptable level.</p>	<p>This paragraph in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.</p>
291.8	<p>Paragraphs 291.100 and onwards describe how the conceptual framework approach to independence is to be applied. These</p>		<p>See above.</p>

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	paragraphs do not address all the circumstances and relationships that create or may create threats to independence.		
291.9	In deciding whether to accept or continue an engagement, or whether a particular individual may be a member of the assurance team, a firm shall identify and evaluate any threats to independence If the decision is whether to continue an engagement, the firm shall determine whether any existing safeguards will continue to be effective to eliminate the threats or reduce them to an acceptable level or whether other safeguards will need to be applied or whether the engagement needs to be terminated.		See above.
	If the threats are not at an acceptable level, and the decision is whether to accept an engagement or include a particular individual on the assurance team, the firm shall determine whether safeguards are available to eliminate the threats or reduce them to an acceptable level.		See above.
	If the decision is whether to continue an engagement, the firm shall determine whether any existing safeguards will continue to be effective to eliminate the threats or reduce them to an acceptable level or whether other safeguards will need		See above.

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	to be applied or whether the engagement needs to be terminated.		
	Whenever new information about a threat comes to the attention of the firm during the engagement, the firm shall evaluate the significance of the threat in accordance with the conceptual framework approach.		See above.
291.10	Throughout this section, reference is made to the significance of threats to independence. In evaluating the significance of a threat, qualitative as well as quantitative factors shall be taken into account.		See above.
291.11	This section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by ISQCs to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical standards.	900.3 <i>International Standard on Quality Control 1 (ISQC 1²)</i> , requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements maintain independence where required by relevant ethics standards. <i>International Standards on Assurance Engagements (ISAEs)</i> establish responsibilities for engagement partners and engagement teams at the level of the engagement. The allocation of certain responsibilities	This paragraph in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.

² *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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		<p>within a firm will depend on its size, structure and organization. Many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an assurance team) in accordance with ISQC 1. In addition, individual professional accountants remain responsible for compliance with any provisions that apply to that accountant’s activities, interests or relationships.</p>	
291.12	As further explained in the Assurance Framework, in an assurance engagement the professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) about the outcome of the evaluation or measurement of a subject matter against criteria.	900.8 In an assurance engagement the professional accountant expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) about the outcome of the evaluation or measurement of a subject matter against criteria. For further explanation see the Assurance Framework.	
291.13	The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria to the subject matter. The term “subject matter information” is used to mean	900.9 The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria to the subject matter. The term “subject matter information” is used	

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	the outcome of the evaluation or measurement of a subject matter. For example, the Framework states that an assertion about the effectiveness of internal control (subject matter information) results from applying a framework for evaluating the effectiveness of internal control, such as COSO or CoCo (criteria), to internal control, a process (subject matter).		to mean the outcome of the evaluation or measurement of a subject matter. For example, the Assurance Framework states that an assertion about the effectiveness of internal control (subject matter information) results from applying a framework for evaluating the effectiveness of internal control, such as COSO or CoCo (criteria), to internal control, a process (subject matter).	
291.14	Assurance engagements may be assertion-based or direct reporting. In either case, they involve three separate parties: a professional accountant in public practice, a responsible party and intended users.	900.10	Assurance engagements might be assertion-based or direct reporting. In either case, they involve three separate parties: a professional accountant, a responsible party and intended users.	
291.15	In an assertion-based assurance engagement, the evaluation or measurement of the subject matter is performed by the responsible party, and the subject matter information is in the form of an assertion by the responsible party that is made available to the intended users.	900.11	In an assertion-based assurance engagement, the evaluation or measurement of the subject matter is performed by the responsible party. The subject matter information is in the form of an assertion by the responsible party that is made available to the intended users.	
291.16	In a direct reporting assurance engagement, the professional accountant in public practice either directly performs the evaluation or measurement of the subject matter, or obtains a representation from the responsible party that has performed the	900.12	In a direct reporting assurance engagement, the professional accountant either:	

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	evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report.	<ul style="list-style-type: none"> (a) Directly performs the evaluation or measurement of the subject matter; or (b) Obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report. 	
291.17	In an assertion-based assurance engagement, the members of the assurance team and the firm shall be independent of the assurance client (the party responsible for the subject matter information, and which may be responsible for the subject matter). Such independence requirements prohibit certain relationships between members of the assurance team and (a) directors or officers, and (b) individuals at the client in a position to exert significant influence over the subject matter information.	<p>R900.19 When performing an assertion-based assurance engagement:</p> <ul style="list-style-type: none"> (a) The members of the assurance team and the firm shall be independent of the assurance client (the party responsible for the subject matter information, and which might be responsible for the subject matter) as set out in Part 4B. The independence requirements set out in Part 4B prohibit certain relationships between assurance team members and (i) directors or officers, and (ii) individuals at the client in a position to exert significant influence over the subject matter information; 	

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	Also, a determination shall be made as to whether threats to independence are created by relationships with individuals at the client in a position to exert significant influence over the subject matter of the engagement.	(b) The firm shall apply the conceptual framework set out in Section 120 to relationships with individuals at the client in a position to exert significant influence over the subject matter of the engagement; and	
	An evaluation shall be made of the significance of any threats that the firm has reason to believe are created by network firm interests and relationships.	(c) The firm shall evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships	
291.18	In the majority of assertion-based assurance engagements, the responsible party is responsible for both the subject matter information and the subject matter. However, in some engagements, the responsible party may not be responsible for the subject matter. For example, when a professional accountant in public practice is engaged to perform an assurance engagement regarding a report that an environmental consultant has prepared about a company's sustainability practices for distribution to intended users, the environmental consultant is the responsible party for the subject matter information but the company is responsible for the subject matter (the sustainability practices).	900.20 A1 In the majority of assertion-based assurance engagements, the responsible party is responsible for both the subject matter information and the subject matter. However, in some engagements, the responsible party might not be responsible for the subject matter. An example might be when a firm is engaged to perform an assurance engagement regarding a report that an environmental consultant has prepared about a company's sustainability practices for distribution to intended users. In this case, the environmental consultant is the responsible party for the subject matter information but the company is	

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		responsible for the subject matter (the sustainability practices).	
291.19	In assertion-based assurance engagements where the responsible party is responsible for the subject matter information but not the subject matter, the members of the assurance team and the firm shall be independent of the party responsible for the subject matter information (the assurance client). In addition, an evaluation shall be made of any threats the firm has reason to believe are created by interests and relationships between a member of the assurance team, the firm, a network firm and the party responsible for the subject matter.	<p>R900.20</p> <p>(a) When performing an assertion-based assurance engagement where the responsible party is responsible for the subject matter information but not the subject matter, the members of the assurance team and the firm shall be independent of the party responsible for the subject matter information (the assurance client).</p> <p>(b) The firm shall evaluate and address any threats the firm has reason to believe are created by interests and relationships between an assurance team member, the firm, a network firm and the party responsible for the subject matter.</p>	
291.20	In a direct reporting assurance engagement, the members of the assurance team and the firm shall be independent of the assurance client (the party responsible for the subject matter). An evaluation shall also be made of any threats the firm has reason to believe are created by network firm interests and relationships.	<p>R900.21</p> <p>When performing a direct reporting assurance engagement:</p> <p>(a) The members of the assurance team and the firm shall be independent of the assurance client (the party responsible for the subject matter); and</p>	

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		(b) The firm shall evaluate and address any threats to independence the firm has reason to believe are created by network firm interests and relationships.	
Section 999 Reports that Include a Restriction on Use and Distribution			
291.21	In certain circumstances where the assurance report includes a restriction on use and distribution, and provided the conditions in this paragraph and in paragraph 291.22 are met, the independence requirements in this section may be modified.	999.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	
		999.2 Section 999 sets out certain modifications to Part 4B (excluding this section) which are permitted in certain circumstances involving assurance engagements where the report includes a restriction on use and distribution. In this section, an engagement to issue a restricted use and distribution assurance report in the circumstances set out in paragraph R999.3 is referred to as an “eligible assurance engagement”.	
	The modifications to the requirements of Section 291 are permitted if the intended users of the report (a) are knowledgeable as to the purpose, subject matter information	R999.3 A firm might issue a report on an assurance engagement which includes a restriction on use and distribution. The independence requirements that	

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	and limitations of the report and (b) explicitly agree to the application of the modified independence requirements.	<p>apply in respect of such an engagement shall only be eligible for the modifications to Part 4B (excluding this section) that are permitted by this section if:</p> <p>(a) ... and</p> <p>(b) The intended users of the report understand the purpose, subject matter information and limitations of the report and explicitly agree to the application of the modifications.</p>	
	Knowledge as to the purpose, subject matter information, and limitations of the report may be obtained by the intended users through their participation, either directly or indirectly through their representative who has the authority to act for the intended users, in establishing the nature and scope of the engagement. Such participation enhances the ability of the firm to communicate with intended users about independence matters, including the circumstances that are relevant to the evaluation of the threats to independence and the applicable safeguards necessary to eliminate the threats or reduce them to an acceptable level, and to obtain their agreement to the modified independence requirements that are to be applied.	<p>999.3 A1 The intended users of the report might obtain an understanding of the purpose, subject matter information, and limitations of the report by participating in establishing the nature and scope of the engagement. Such participation might be direct, or might be indirect through a representative who has authority to act for the intended users. In either case, this participation helps the firm to communicate with intended users about independence matters, including the circumstances that are relevant to applying the conceptual framework. It also allows the firm to obtain the agreement of the intended users to the</p>	

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			modified independence requirements agreed to by their representative.
291.22	The firm shall communicate (for example, in an engagement letter) with the intended users regarding the independence requirements that are to be applied with respect to the provision of the assurance engagement. Where the intended users are a class of users (for example, lenders in a syndicated loan arrangement) who are not specifically identifiable by name at the time the engagement terms are established, such users shall subsequently be made aware of the independence requirements agreed to by the representative (for example, by the representative making the firm's engagement letter available to all users).	<p>R999.3 A firm might issue a report on an assurance engagement which includes a restriction on use and distribution. The independence requirements that apply in respect of such an engagement shall only be eligible for the modifications to Part 4B (excluding this section) that are permitted by this section if:</p> <p>(a) The firm communicates with the intended users of the report regarding the modified independence requirements that are to be applied in providing the service; and</p> <p>(b) ...</p> <p>Where the intended users are a class of users who are not specifically identifiable by name at the time the engagement terms are established, the firm subsequently makes such users aware of the requirements agreed to by their representative.</p>	
		999.3 A2	For example, where the intended users are lenders in a syndicated loan arrangement, the firm might describe the modified independence requirements in an engagement letter

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		to the representative of the lenders. The representative might then make the firm's engagement letter available to the members of the group of lenders to meet the requirement for the firm to make such users aware of the modified independence requirements agreed to by the representative.	
291.23	If the firm also issues an assurance report that does not include a restriction on use and distribution for the same client, the provisions of paragraphs 291.25 to 291.27 do not change the requirement to apply the provisions of paragraphs 291.1 to 291.157 to that assurance engagement. If the firm also issues an audit report, whether or not it includes a restriction on use and distribution, for the same client, the provisions of Section 290 shall apply to that audit engagement.	R999.5 If the firm also issues an assurance report that does not include a restriction on use and distribution for the same client, the firm shall apply Part 4B (excluding this section) to that assurance engagement.	
291.24	The modifications to the requirements of Section 291 that are permitted in the circumstances set out above are described in paragraphs 291.25 to 291.27. Compliance in all other respects with the provisions of Section 291 is required.	R999.4 When the firm performs an eligible assurance engagement, any modifications to Part 4B (excluding this section) shall be limited to those modifications set out in paragraphs R999.6 to R999.8.	

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291.25	<p>When the conditions set out in paragraphs 291.21 and 291.22 are met, the relevant provisions set out in paragraphs 291.104 to 291.132 apply to all members of the engagement team, and their immediate and close family members.</p>	<p>R999.7 When the firm prepares an eligible assurance engagement:</p> <p style="padding-left: 20px;">(a) The relevant provisions set out in Sections 910, 911, 920, 921, 922 and 924 need apply only to the members of the engagement team, and their immediate and close family members;</p>	
	<p>In addition, a determination shall be made as to whether threats to independence are created by interests and relationships between the assurance client and the following other members of the assurance team:</p> <p style="padding-left: 20px;">(a) Those who provide consultation regarding technical or industry specific issues, transactions or events; and</p> <p style="padding-left: 20px;">(b) Those who provide quality control for the engagement, including those who perform the engagement quality control review.</p>	<p style="padding-left: 20px;">(b) The firm shall identify, evaluate and address any threats to independence that might be created by interests and relationships, as set out in Sections 910, 911, 920, 921, 922 and 924, between the assurance client and the following assurance team members;</p> <p style="padding-left: 40px;">(i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and</p> <p style="padding-left: 40px;">(ii) Those who provide quality control for the engagement, including those who perform the</p>	

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	<p style="text-align: center;">engagement quality control review; and</p> <p>(c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the assurance client and others within the firm who can directly influence the outcome of the assurance engagement, as set out in Sections 910, 911, 920, 921, 922 and 924.</p> <p>999.7 A1 Others within the firm who can directly influence the outcome of the assurance engagement include those who recommend the compensation, or who provide direct supervisory, management or other oversight, of the assurance engagement partner in connection with the performance of the assurance engagement.</p>	
291.26	<p>Even though the conditions set out in paragraphs 291.21 to 291.22 are met, if the firm had a material financial interest, whether direct or indirect, in the assurance client, <u>the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level.</u></p> <p>R999.8 When the firm performs an eligible assurance engagement, the firm shall not hold a material direct or a material indirect financial interest in the assurance client.</p>	The underlined words are not included in the text because it re states the conceptual framework.

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	<u>Accordingly, the firm shall not have such a financial interest.</u>		
	In addition, the firm shall comply with the other applicable provisions of this section described in paragraphs 291.112 to 291.157		This text has been deleted. If a report does not include a restriction on use and distribution then the provisions in Section 900 apply.
291.27	An evaluation shall also be made of any threats that the firm has reason to believe are created by network firm interests and relationships.	R999.6 When the firm performs an eligible assurance engagement, the firm shall evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships.	
291.28	In some assurance engagements, whether assertion-based or direct reporting, there might be several responsible parties. In determining whether it is necessary to apply the provisions in this section to each responsible party in such engagements, the firm may take into account whether an interest or relationship between the firm, or a member of the assurance team, and a particular responsible party would create a threat to independence that is not trivial and inconsequential in the context of the subject matter information. This will take into account factors such as: (a) The materiality of the subject matter information (or of the subject matter)	900.22 A1 In some assurance engagements, whether assertion-based or direct reporting, there might be several responsible parties. In determining whether it is necessary to apply the provisions in Part 4B to each responsible party in such engagements, the firm may take into account certain matters. These matters include whether an interest or relationship between the firm, or an assurance team member, and a particular responsible party would create a threat to independence that is not trivial and inconsequential in the context of the subject matter	

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	<p>for which the particular responsible party is responsible; and</p> <p>(b) The degree of public interest associated with the engagement.</p> <p>If the firm determines that the threat to independence created by any such interest or relationship with a particular responsible party would be trivial and inconsequential, it may not be necessary to apply all of the provisions of this section to that responsible party.</p>	<p>information. This determination will take into account factors such as:</p> <ul style="list-style-type: none"> • The materiality of the subject matter information (or of the subject matter) for which the particular responsible party is responsible. • The degree of public interest associated with the engagement. <p>If the firm determines that the threat created by any such interest or relationship with a particular responsible party would be trivial and inconsequential, it might not be necessary to apply all of the provisions of this section to that responsible party.</p>	
291.29	<p>Documentation provides evidence of the professional accountant's judgments in forming conclusions regarding compliance with independence requirements. The absence of documentation is not a determinant of whether a firm considered a particular matter nor whether it is independent.</p>	900.40 A1 Documentation provides evidence of the firm's judgments in forming conclusions regarding compliance with Part 4B. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent.	
	The professional accountant shall document conclusions regarding compliance with independence requirements, and the	R900.40 A firm shall document conclusions regarding compliance with Part 4B, and the substance of any relevant	

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	<p>substance of any relevant discussions that support those conclusions. Accordingly:</p> <p>(a) When safeguards are required to reduce a threat to an acceptable level, the professional accountant shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level; and</p> <p>(b) When a threat required significant analysis to determine whether safeguards were necessary and the professional accountant concluded that they were not because the threat was already at an acceptable level, the professional accountant shall document the nature of the threat and the rationale for the conclusion.</p>	<p>discussions that support those conclusions. In particular:</p> <p>(a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and</p> <p>(b) When a threat requires significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.</p>	
291.30	<p>Independence from the assurance client is required both during the engagement period and the period covered by the subject matter information. The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has</p>	<p>R900.30 Independence, as required by Part 4B shall be maintained during both:</p> <p>(a) The engagement period; and</p> <p>(b) The period covered by the subject matter information.</p> <hr/> <p>900.30 A1 The engagement period starts when the assurance team begins to perform assurance services. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it</p>	

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	terminated or the issuance of the final assurance report.		ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.
291.31	<p>When an entity becomes an assurance client during or after the period covered by the subject matter information on which the firm will express a conclusion, the firm shall determine whether any threats to independence are created by:</p> <p>(a) Financial or business relationships with the assurance client during or after the period covered by the subject matter information but before accepting the assurance engagement; or</p> <p>(b) Previous services provided to the assurance client.</p>	<p>R900.31 If an entity becomes an assurance client during or after the period covered by the subject matter information on which the firm will express a conclusion, the firm shall determine whether any threats to independence are created by:</p> <p>(a) Financial or business relationships with the assurance client during or after the period covered by the subject matter information but before accepting the assurance engagement; or</p> <p>(b) Previous services provided to the assurance client.</p>	
291.32	If a non-assurance service was provided to the assurance client during or after the period covered by the subject matter information but before the assurance team begins to perform assurance services and the service would not be permitted during the period of the assurance engagement, the firm shall evaluate any threat to independence created by the service. If any threat is not at an acceptable level, the assurance engagement shall only be	<p>R900.32 Subject to paragraph R900.33, if a non-assurance service was provided to the assurance client during or after the period covered by the subject matter information but before the assurance team begins to perform assurance services and the service would not be permitted during the period of the assurance engagement, the firm shall evaluate and address any threat to independence created by</p>	

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	accepted if safeguards are applied to eliminate any threats or reduce them to an acceptable level.	the service. If the threats are not at an acceptable level, the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Not including personnel who provided the non-assurance service as members of the assurance team; • Having a professional accountant review the assurance and non-assurance work as appropriate; or • Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service. 	<p>900.32 A1 Examples of actions that might be safeguards to address threats to independence include:</p> <ul style="list-style-type: none"> • Not including personnel who provided the non-assurance service as assurance team members. • Having a professional accountant review the assurance and non-assurance work as appropriate. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
	<p>However, if the non-assurance service has not been completed and it is not practical to complete or terminate the service before the commencement of professional services in connection with the assurance engagement, the firm shall only accept the assurance engagement if it is satisfied:</p> <p>(a) The non-assurance service will be completed within a short period of time; or</p>	<p>R900.33 As an exception to paragraph R900.32, if the non-assurance service has not been completed and it is not practical to complete or end the service before the commencement of professional services in connection with the assurance engagement, the firm shall only accept the assurance engagement if:</p> <p>(a) The firm is satisfied that:</p>	

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	<p>(b) The client has arrangements in place to transition the service to another provider within a short period of time. During the service period, safeguards shall be applied when necessary. In addition, the matter shall be discussed with those charged with governance.</p>	<p>(i) The non-assurance service will be completed within a short period of time; or</p> <p>(ii) The client has arrangements in place to transition the service to another provider within a short period of time;</p> <p>(b) The firm applies safeguards when necessary during the service period; and</p> <p>(c) The firm discusses the matter with those charged with governance.</p>	
291.33	<p>When a breach of a provision of this section is identified, the firm shall terminate, suspend or eliminate the interest or relationship that caused the breach, and shall evaluate the significance of that breach and its impact on the firm's objectivity and ability to issue an assurance report. The firm shall determine whether action can be taken that satisfactorily addresses the consequences of the breach. In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be</p>	<p>R900.50 If a firm concludes that a breach of Part 4B has occurred, the firm shall:</p> <p>(a) End, suspend or eliminate the interest or relationship that created the breach;</p> <p>(b) Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue an assurance report; and</p> <p>(c) Determine whether action can be taken that satisfactorily addresses the consequences of the breach.</p>	

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	taken and all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that the firm's objectivity would be compromised such that the firm is unable to issue an assurance report.		In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised such that the firm is unable to issue an assurance report.
291.34	If the firm determines that action cannot be taken to satisfactorily address the consequences of the breach, the firm shall, as soon as possible, inform the party that engaged the firm or those charged with governance, as appropriate, and take the steps necessary to terminate the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the assurance engagement.	R900.51	If the firm determines that it cannot take action to address the consequences of the breach satisfactorily, the firm shall, as soon as possible, inform the party that engaged the firm or those charged with governance, as appropriate. The firm shall also take the steps necessary to end the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to ending the assurance engagement.
291.35	If the firm determines that action can be taken to satisfactorily address the consequences of the breach, the firm shall discuss the breach and the action it has taken or proposes to take with the party that engaged the firm or those charged with governance, as appropriate. The firm shall discuss the breach and the proposed action on a timely basis, taking into account the	R900.52	If the firm determines that it can take action to address the consequences of the breach satisfactorily, the firm shall discuss the breach and the action it has taken or proposes to take with the party that engaged the firm or those charged with governance, as appropriate. The firm shall discuss the breach and the proposed action on a timely basis, taking into account the

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	circumstances of the engagement and the breach.	circumstances of the engagement and the breach.	
291.36	If the party that engaged the firm or those charged with governance, as appropriate, do not concur that the action satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to terminate the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the assurance engagement.	R900.53 If the party that engaged the firm does not, or those charged with governance do not concur that the action proposed by the firm in accordance with paragraph R900.50(c) satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to end the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to ending the assurance engagement.	
291.37	The firm shall document the breach, the actions taken, key decisions made and all the matters discussed with the party that engaged the firm or those charged with governance.	R900.54 In applying the provisions of paragraph R900.50 to R900.53, the firm shall document: (a) The breach; (b) The actions taken; (c) The key decisions made; and (d) All the matters discussed with the party that engaged the firm or those charged with governance.	
	When the firm continues with the assurance engagement, the matters to be documented shall also include the conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for	R900.55 If the firm continues with the assurance engagement, it shall also document:	

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	why the action taken satisfactorily addressed the consequences of the breach such that the firm could issue an assurance report.	<p>(a) The conclusion that, in the firm’s professional judgment, objectivity has not been compromised; and</p> <p>(b) The rationale for why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue an assurance report.</p>	
291.100	<p>Paragraphs 291.104 to 291.157 describe specific circumstances and relationships that create or may create threats to independence. The paragraphs describe the potential threats and the types of safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level and identify certain situations where no safeguards could reduce the threats to an acceptable level. The paragraphs do not describe all of the circumstances and relationships that create or may create a threat to independence. The firm and the members of the assurance team shall evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 200.11 to 200.14 can be applied when necessary to eliminate the threats to independence or reduce them to an acceptable level.</p>		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text

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291.101	<p>The paragraphs demonstrate how the conceptual framework approach applies to assurance engagements and are to be read in conjunction with paragraph 291.28 which explains that, in the majority of assurance engagements, there is one responsible party and that responsible party is the assurance client. However, in some assurance engagements there are two or more responsible parties.</p> <p>In such circumstances, an evaluation shall be made of any threats the firm has reason to believe are created by interests and relationships between a member of the assurance team, the firm, a network firm and the party responsible for the subject matter.</p> <p>For assurance reports that include a restriction on use and distribution, the paragraphs are to be read in the context of paragraphs 291.21 to 291.27.</p>		Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
291.102	Interpretation 2005–01 provides further guidance on applying the independence requirements contained in this section to assurance engagements.		Not included in restructured Code
Section 910 Financial Interests			
291.103	Paragraphs 291.104 to 291.119 contain references to the materiality of a financial interest, loan, or guarantee, or the	910.5 A1	Section 910 contains references to the “materiality” of a financial interest. In determining whether such an interest

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	significance of a business relationship. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.		is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	
		911.4 A1	Section 911 contains references to the "materiality" of a loan or guarantee. For the purpose of determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	
		920.4 A1	Section 920 contains references to the "materiality" of a financial interest and the "significance" of a business relationship. In determining whether such a financial interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	
291.104	Holding a financial interest in an assurance client may create a self-interest threat. The existence and significance of any threat created depends on:	910.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	

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	<p>(a) The role of the person holding the financial interest,</p> <p>(b) Whether the financial interest is direct or indirect, and</p> <p>(c) The materiality of the financial interest.</p>	<p>910.2 Holding a financial interest in an assurance client might create a self-interest threat.</p> <p>910.3 Section 910 sets out specific requirements and application material on applying the conceptual framework to financial interests.</p>		
		<p>910.6 A1 Factors that are relevant in evaluating the level of threats created by holding financial interests in an assurance client include:</p> <ul style="list-style-type: none"> • The role of the individual holding the financial interest. • Whether the financial interest is direct or indirect. • The materiality of the financial interest. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>	
291.105	<p>Financial interests may be held through an intermediary (for example, a collective investment vehicle, estate or trust). The determination of whether such financial interests are direct or indirect will depend upon whether the beneficial owner has control over the investment vehicle or the ability to influence its investment decisions. When control over the investment vehicle or the ability to influence investment decisions exists, this Code defines that financial interest to be a direct financial interest.</p>	<p>910.4 A1 A financial interest might be held directly or held indirectly through an intermediary such as a collective investment vehicle, an estate or a trust. When a beneficial owner has control over the intermediary or the ability to influence its investment decisions, the Code defines that financial interest to be direct. Conversely, when a beneficial owner has no control over the intermediary or ability to influence its investment</p>		

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	Conversely, when the beneficial owner of the financial interest has no control over the investment vehicle or ability to influence its investment decisions, this Code defines that financial interest to be an indirect financial interest.	decisions, the Code defines that financial interest to be indirect.	
291.106	If a member of the assurance team, a member of that individual's immediate family, or a firm has a direct financial interest or a material indirect financial interest in the assurance client, <u>the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level.</u> Therefore, none of the following shall have a direct financial interest or a material indirect financial interest in the client: a member of the assurance team; a member of that individual's immediate family member; or the firm.	R910.7 A direct financial interest or a material indirect financial interest in the assurance client shall not be held by: (a) The firm; or (b) An assurance team member or any of that individual's immediate family.	The underlined words are not included in the text because they are re states the conceptual framework.
291.107	When a member of the assurance team has a close family member who the assurance team member knows has a direct financial interest or a material indirect financial interest in the assurance client, a self-interest threat is created. The significance of the threat will depend on factors such as <ul style="list-style-type: none"> • The nature of the relationship between the member of the 	910.11 A1 A self-interest threat might be created if an assurance team member has a close family member who the assurance team member knows has a direct financial interest or a material indirect financial interest in the assurance client. Factors that are relevant in evaluating the level of such threats include:	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<p>assurance team and the close family member; and</p> <ul style="list-style-type: none"> The materiality of the financial interest to the close family member. 	<ul style="list-style-type: none"> The nature of the relationship between the assurance team member and the close family member; and The materiality of the financial interest to the close family member. Whether the financial interest is direct or indirect. The firm's organizational, operating and reporting structure. 	
	<p>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p>	<p>R910.11 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <p>(a) If an assurance team member knows that a close family member has a direct financial interest or a material indirect financial interest in the assurance client. (Ref: Para. 910.11 A1).</p>	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> The close family member disposing, as soon as practicable, of all of the financial interest or disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material; 	<p>910.11 A2 Examples of actions that might be safeguards to address threats created by having a financial interest as set out in paragraph 910.11 A1 include:</p> <ul style="list-style-type: none"> The close family member disposing, as soon as practicable, of all of the financial interest or 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<ul style="list-style-type: none"> • Having a professional accountant review the work of the member of the assurance team; or • Removing the individual from the assurance team. 	<p style="text-align: center;">disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material.</p> <ul style="list-style-type: none"> • Having a professional accountant review the work of the assurance team member. <p>An action that might eliminate those threats is to remove the individual from the assurance team.</p>
291.108	<p>If a member of the assurance team, a member of that individual's immediate family, or a firm has a direct or material indirect financial interest in an entity that has a controlling interest in the assurance client, and the client is material to the entity, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have such a financial interest: a member of the assurance team; a member of that individual's immediate family; and the firm.</p>	<p>R910.8 When an entity has a controlling interest in the assurance client and the client is material to the entity, neither the firm, nor an assurance team member nor any of that individual's immediate family shall hold a direct or material indirect financial interest in that entity.</p>
291.109	<p>The holding by a firm or a member of the assurance team, or a member of that individual's immediate family, of a direct financial interest or a material indirect financial interest in the assurance client as a</p>	<p>R910.9 Paragraph R910.7 shall also apply to a financial interest in an assurance client held in a trust for which the firm or individual acts as trustee unless:</p> <ul style="list-style-type: none"> (a) None of the following is a beneficiary of the trust: the

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<p>trustee creates a self-interest threat. Such an interest shall not be held unless:</p> <ul style="list-style-type: none"> (a) Neither the trustee, nor an immediate family member of the trustee, nor the firm are beneficiaries of the trust; (b) The interest in the assurance client held by the trust is not material to the trust; (c) The trust is not able to exercise significant influence over the assurance client; and (d) The trustee, an immediate family member of the trustee, or the firm cannot significantly influence any investment decision involving a financial interest in the assurance client. 	<p>trustee, the assurance team member or any of that individual's immediate family or the firm;</p> <ul style="list-style-type: none"> (b) The interest in the assurance client held by the trust is not material to the trust; (c) The trust is not able to exercise significant influence over the assurance client; and (d) None of the following can significantly influence any investment decision involving a financial interest in the assurance client: the trustee, the assurance team member or any of that individual's immediate family or the firm. 	
<p>291.110</p> <p>Members of the assurance team shall determine whether a self-interest threat is created by any known financial interests in the assurance client held by other individuals including:</p> <ul style="list-style-type: none"> • Partners and professional employees of the firm, other than those referred to above, or their immediate family members; and 	<p>R910.11</p> <p>In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <ul style="list-style-type: none"> (b) If an assurance team member knows that a financial interest is held by other individuals, such as: <ul style="list-style-type: none"> • Partners and professional employees of the firm, apart from those who are 	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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<ul style="list-style-type: none"> Individuals with a close personal relationship with a member of the assurance team. 	<p>specifically not permitted to hold such financial interests by paragraph R910.7, or their immediate family members.</p> <ul style="list-style-type: none"> Individuals with a close personal relationship with an assurance team member. (Ref: Para. 910.11 A3). 	
<p>Whether these interests create a self-interest threat will depend on factors such as:</p> <ul style="list-style-type: none"> The firm's organizational, operating and reporting structure; and The nature of the relationship between the individual and the member of the assurance team. <p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<p>910.11 A1 ...Factors that are relevant in evaluating the level of such threats include: ...</p> <ul style="list-style-type: none"> The firm's organizational, operating and reporting structure. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> Removing the member of the assurance team with the personal relationship from the assurance team; Excluding the member of the assurance team from any significant 	<p>910.11 A3 An example of an action that might be a safeguard to address threats set out in paragraph R910.11(b) is having a professional accountant review the work of the assurance team.</p> <p>910.11 A4 Actions that might eliminate those threats include:</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p>decision-making concerning the assurance engagement; or</p> <ul style="list-style-type: none"> • Having a professional accountant review the work of the member of the assurance team. 	<ul style="list-style-type: none"> • Removing the assurance team member with the personal relationship from the assurance team. • Excluding the assurance team member from any significant decision-making concerning the assurance engagement. 	
291.111	<p>If a firm, a member of the assurance team, or an immediate family member of the individual, receives a direct financial interest or a material indirect financial interest in an assurance client, for example, by way of an inheritance, gift or as a result of a merger, and such interest would not be permitted to be held under this section, then:</p> <p>(a) If the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, or</p> <p>(b) If the interest is received by a member of the assurance team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an</p>	<p>R910.10 If a firm, an assurance team member, or any of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an assurance client by way of an inheritance, gift, as a result of a merger, or in similar circumstances and the interest would not be permitted to be held under this section:</p> <p>(a) If the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, or</p> <p>(b) If the interest is received by an assurance team member, or by any of that individual's immediate family, the individual who received the financial</p>	

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	indirect financial interest so that the remaining interest is no longer material	interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer material.	
Section 911 Loans and Guarantees			
291.112	A loan, or a guarantee of a loan, to a member of the assurance team, or a member of that individual's immediate family, or the firm from an assurance client that is a bank or a similar institution, may create a threat to independence.	911.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
		911.2	A loan or a guarantee of a loan between an assurance client and a firm, an assurance team member or any of that individual's immediate family might create self-interest or other threats.
		911.3	Section 911 sets out specific requirements and application material relevant to applying the conceptual framework to loans and guarantees.
	If the loan or guarantee is not made under normal lending procedures, terms and conditions, a self-interest threat would be created that would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, neither a	R911.6	A firm, an assurance team member or any of that individual's immediate family, shall not accept a loan, or a guarantee of a loan, from an assurance client that is a bank or a similar institution, unless the loan or

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	member of the assurance team, a member of that individual's immediate family, nor a firm shall accept such a loan or guarantee.	guarantee is made under normal lending procedures, terms and conditions	
291.113	If a loan to a firm from an assurance client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the assurance client or firm receiving the loan, it may be possible to apply safeguards to reduce the self-interest threat to an acceptable level.	911.6 A2 If a loan from an assurance client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the assurance client or firm receiving the loan, it might create a self-interest threat. An example of an action that might be a safeguard to address such threats is having the work reviewed by a professional who is not a member of the assurance team that is neither involved with the assurance engagement nor is a beneficiary of the loan. If the loan is to a firm, the reviewing professional might be someone from a network firm.	Conforming amendments arising from safeguards project. See Safeguards ED-2. Network firm explicitly stated for clarity.
	An example of such a safeguard is having the work reviewed by a professional accountant from a network firm that is neither involved with the assurance engagement nor received the loan.	... An example of an action that might be a safeguard to address such threats is to have the work reviewed by a professional accountant from a network firm that is neither involved with the assurance engagement nor received the loan.	

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291.114	A loan, or a guarantee of a loan, from an assurance client that is a bank or a similar institution to a member of the assurance team, or a member of that individual's immediate family, does not create a threat to independence if the loan or guarantee is made under normal lending procedures, terms and conditions. Examples of such loans include home mortgages, bank overdrafts, car loans and credit card balances.	911.6 A1 Examples of loans include mortgages, bank overdrafts, car loans and credit card balances.	
291.115	If the firm or a member of the assurance team, or a member of that individual's immediate family, accepts a loan from, or has a borrowing guaranteed by, an assurance client that is not a bank or similar institution, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm, or the member of the assurance team and the immediate family member, and the client.	R911.8 A firm or an assurance team member, or any of that individual's immediate family members, shall not accept a loan from, or have a borrowing guaranteed by, an assurance client that is not a bank or similar institution, unless the loan or guarantee is immaterial to both: (a) The firm, or the individual receiving the loan or guarantee, as applicable; and (b) The client.	
291.116	Similarly, if the firm, or a member of the assurance team, or a member of that individual's immediate family, makes or guarantees a loan to an assurance client, the self-interest threat created would be so significant that no safeguards could reduce	R911.5 A firm, or an assurance team member, or any of that individual's immediate family shall not make or guarantee a loan to an assurance client unless the loan or guarantee is immaterial to both:	

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	the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm, or the member of the assurance team and the immediate family member, and the client.	<p>(a) The firm, or the individual making the loan or guarantee, as applicable; and</p> <p>(b) The client.</p>	
291.117	If a firm or a member of the assurance team, or a member of that individual's immediate family, has deposits or a brokerage account with an assurance client that is a bank, broker, or similar institution, a threat to independence is not created if the deposit or account is held under normal commercial terms.	R911.7 A firm, an assurance team member or any of that individual's immediate family shall not have deposits or a brokerage account with an assurance client that is a bank, broker, or similar institution, unless the deposit or account is held under normal commercial terms.	
Section 920 Business Relationships			
291.118	A close business relationship between a firm, or a member of the assurance team, or a member of that individual's immediate family, and the assurance client or its management arises from a commercial relationship or common financial interest and may create self-interest or intimidation threats.	<p>920.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>920.2 A close business relationship between an assurance client or its management and a firm, an assurance team member or any of that individual's immediate family might create self-interest or intimidation threats.</p>	

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		920.3	Section 920 sets out specific requirements and application material relevant to applying the conceptual framework to business relationships.	
	<p>Examples of such relationships include:</p> <ul style="list-style-type: none"> • Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client. • Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties. • Distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or 	920.5 A1	<p>Examples of a close business relationship arising from a commercial relationship or common financial interest include:</p> <ul style="list-style-type: none"> • Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client. • Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties. • Distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or services. 	
	Unless any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management,	R920.5	The firm or an assurance team member shall not have a close business relationship with an	Underlined text is covered by the enhanced conceptual

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	<p><u>the threat created would be so significant that no safeguards could reduce the threat to an acceptable level.</u> Therefore, unless the financial interest is immaterial and the business relationship is insignificant, the business relationship shall not be entered into, or shall be reduced to an insignificant level or terminated.</p> <p>In the case of a member of the assurance team, unless any such financial interest is immaterial and the relationship is insignificant to that member, the individual shall be removed from the assurance team.</p>	<p>assurance client or its management unless any financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm or the assurance team member, as applicable.</p>	<p>framework set out in Section 120 of the agreed-in-principle text</p>
	<p>If the business relationship is between an immediate family member of a member of the assurance team and the assurance client or its management, <u>the significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>		<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
291.119	<p>The purchase of goods and services from an assurance client by the firm, or a member of the assurance team, or a member of that individual's immediate family, does not generally create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions may be of such a nature or magnitude that they</p>	<p>920.6 A1 The purchase of goods and services from an assurance client by the firm, or an assurance team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature</p>	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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	create a self-interest threat. <u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u>		and magnitude that they create a self-interest threat.	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction; or • Removing the individual from the assurance team. 	920.6 A2	<p>Actions that might eliminate threats created by purchasing goods and services from an assurance client include:</p> <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction. • Removing the individual from the assurance team. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
Section 921 Family and Personal Relationships				
291.120	Family and personal relationships between a member of the assurance team and a director or officer or certain employees (depending on their role) of the assurance client, may create self-interest, familiarity or intimidation threats. The existence and significance of any threats will depend on a number of factors, including the individual's responsibilities on the assurance team, the role of the family member or other individual within the client, and the closeness of the relationship.	921.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	Conforming amendments arising
		921.2	Family or personal relationships between firm and client personnel might create self-interest, familiarity or intimidation threats.	
		921.3	Section 921 sets out specific requirements and application material relevant to applying the conceptual	

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		<p>framework to family and personal relationships.</p> <p>921.4 A1 Threats might be created by family and personal relationships between an assurance team member and a director or officer or, depending on their role, certain employees of the assurance client. Factors that are relevant in evaluating the level of any such threats include:</p> <ul style="list-style-type: none"> • The individual's responsibilities on the assurance team. • The role of the family member or other individual within the client, and the closeness of the relationship. 	<p>from safeguards project. See Safeguards ED-2.</p>
291.121	<p>When an immediate family member of a member of the assurance team is:</p> <p>(a) A director or officer of the assurance client, or</p> <p>(b) An employee in a position to exert significant influence over the subject matter information of the assurance engagement,</p> <p>or was in such a position during any period covered by the engagement or the subject matter information, the threats to independence can only be reduced to an acceptable level by removing the individual</p>	<p>R921.6 An individual shall not participate as an assurance team member when any of that individual's immediate family:</p> <p>(a) Is a director or officer of the assurance client; or</p> <p>(b) Is an employee in a position to exert significant influence over the subject matter information of the assurance engagement; or</p> <p>(c) Was in such a position during any period covered by the engagement or the subject matter information.</p>	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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<p>from the assurance team. The closeness of the relationship is such <u>that no other safeguards could reduce the threat to an acceptable level</u>. Accordingly, no individual who has such a relationship shall be a member of the assurance team</p>		
<p>291.122</p> <p>Threats to independence are created when an immediate family member of a member of the assurance team is an employee in a position to exert significant influence over the subject matter of the engagement. The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position held by the immediate family member; and • The role of the professional on the assurance team. <p><u>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the assurance team; or • Structuring the responsibilities of the assurance team so that the professional does not deal with matters that are within the 	<p>921.5 A1 Threats are created when an immediate family member of an assurance team member is an employee in a position to exert significant influence over the subject matter of the engagement.</p> <p>921.5 A2 Factors that are relevant in evaluating the level of any threat created include:</p> <ul style="list-style-type: none"> • The position held by the immediate family member. • The role of the assurance team member. <p>921.5 A3 An example of an action that might address the threats set out in paragraph 921.5 A1 is structuring the responsibilities of the assurance team so that the assurance team member does not deal with matters that are within the responsibility of the immediate family member.</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p> <p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	responsibility of the immediate family member	An action that might eliminate those threats is removing the individual from the assurance team.	
291.123	<p>Threats to independence are created when a close family member of a member of the assurance team is:</p> <ul style="list-style-type: none"> • A director or officer of the assurance client; or • An employee in a position to exert significant influence over the subject matter information of the assurance engagement. <p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the member of the assurance team and the close family member; • The position held by the close family member; and • The role of the professional on the assurance team. <p><u>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<p>921.7 A1 Threats are created when a close family member of an assurance team member is:</p> <ul style="list-style-type: none"> • A director or officer of the assurance client. • An employee in a position to exert significant influence over the subject matter information of the assurance engagement. <p>921.7 A2 Factors that are relevant in evaluating the level of any threat created by the relationships set out in paragraph 921.7 A1 include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the assurance team member and the close family member. • The position held by the close family member. • The role of the assurance team member. 	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
	Examples of such safeguards include:	921.7 A3 An example of an action that might address threats created by the relationships set out in paragraph	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<ul style="list-style-type: none"> • Removing the individual from the assurance team; or • Structuring the responsibilities of the assurance team so that the professional does not deal with matters that are within the responsibility of the close family member. 	<p>921.7 A1 is structuring the responsibilities of the assurance team so that the assurance team member does not deal with matters that are within the responsibility of the close family member.</p> <p>An action that might eliminate threats created by the relationships set out in paragraph 921.7 A1 is removing the individual from the assurance team.</p>	
291.124	<p>Threats to independence are created when a member of the assurance team has a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the subject matter information of the assurance engagement. A member of the assurance team who has such a relationship shall consult in accordance with firm policies and procedures.</p>	<p>R921.8</p> <p>An assurance team member shall consult in accordance with firm policies and procedures if the assurance team member has a close relationship with an individual who is not an immediate or close family member, but who is:</p> <ul style="list-style-type: none"> (a) A director or officer of the assurance client; or (b) An employee in a position to exert significant influence over the subject matter information of the assurance engagement. 	
	<p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the individual and the member of the assurance team; • The position the individual holds with the client; and 	<p>921.8 A1</p> <p>Factors that are relevant in evaluating the level of any threats created by such relationships include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the individual and the assurance team member. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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<ul style="list-style-type: none"> • The role of the professional on the assurance team. <p><u>The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the professional from the assurance team; or • Structuring the responsibilities of the assurance team so that the professional does not deal with matters that are within the responsibility of the individual with whom the professional has a close relationship. 	<ul style="list-style-type: none"> • The position the individual holds with the client. • The role of the assurance team member. <p>921.8 A2 An example of an action that might address threats created by close relationships of assurance team members is structuring the responsibilities of the assurance team so that the audit team member does not deal with matters that are within the responsibility of the individual with whom the assurance team member has a close relationship.</p> <p>An action that might eliminate threats created by such relationships is removing the individual from the assurance team.</p>	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
<p>291.125 Self-interest, familiarity or intimidation threats may be created by a personal or family relationship between (a) a partner or employee of the firm who is not a member of the assurance team and (b) a director or officer of the assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement.</p>	<p>921.9 A1 Self-interest, familiarity or intimidation threats might be created by a personal or family relationship between (a) a partner or employee of the firm who is not an assurance team member and (b) a director or officer of the assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement. Factors</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client; • The interaction of the partner or employee of the firm with the assurance team; • The position of the partner or employee within the firm; and • The role of the individual within the client. <p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<p>that are relevant in evaluating the level of any threat created by such relationships include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client. • The degree of interaction of the partner or employee of the firm with the assurance team. • The position of the partner or employee within the firm. • The role of the individual within the client. 	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Structuring the partner's or employee's responsibilities to reduce any potential influence over the assurance engagement; or • Having a professional accountant review the relevant assurance work performed. 	<p>921.9 A2 Examples of actions that might be safeguards to address threats created by such relationships include:</p> <ul style="list-style-type: none"> • Structuring the partner's or employee's responsibilities to reduce any potential influence over the assurance engagement. • Having a professional accountant review the relevant assurance work performed. 	

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Section 924 Employment with an Assurance Client		
291.126	<p>Familiarity or intimidation threats may be created if a director or officer of the assurance client, or an employee who is in a position to exert significant influence over the subject matter information of the assurance engagement, has been a member of the assurance team or partner of the firm</p>	<p>924.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>924.2 Employment relationships between former partners or employees of firms and assurance clients might create familiarity or intimidation threats.</p> <p>924.3 Section 924 sets out specific requirements and application material relevant to applying the conceptual framework to these employment relationships.</p> <p>924.4 A1 A familiarity or intimidation threat might be created if any of the following individuals have been an assurance team member or partner of the firm:</p> <ul style="list-style-type: none"> • A director or officer of the assurance client. • An employee who is in a position to exert significant influence over the subject matter information of the assurance engagement.
291.127	If a former member of the assurance team or partner of the firm has joined the assurance client in such a position, the	924.5 A1 If one of those individuals has joined the assurance client in such a position and does not continue to participate in

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<p>existence and significance of any familiarity or intimidation threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual has taken at the client; • Any involvement the individual will have with the assurance team; • The length of time since the individual was a member of the assurance team or partner of the firm; and • The former position of the individual within the assurance team or firm, for example, whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance. 	<p>the firm's business or professional activities, the following factors are relevant in evaluating the level of any familiarity or intimidation threats created:</p> <ul style="list-style-type: none"> • The position the individual has taken at the client. • Any involvement the individual will have with the assurance team. • The length of time since the individual was an assurance team member or partner of the firm. • The former position of the individual within the assurance team or firm. 	
<p>In all cases the individual shall not continue to participate in the firm's business or professional activities.</p> <p><u>The significance of any threats created shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</u></p>	<p>R924.5 If a former partner joins an assurance client of the firm or a former assurance team member joins the assurance client as:</p> <p>(a) A director or officer; or</p> <p>(b) An employee in a position to exert significant influence over the subject matter information of the assurance engagement,</p> <p>the individual shall not continue to participate in the firm's business or professional activities.</p>	<p>This paragraph in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.</p> <p>Underlined text is Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Making arrangements such that the individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements. • Making arrangements such that any amount owed to the individual is not material to the firm; • Modifying the plan for the assurance engagement; • Assigning individuals to the assurance team who have sufficient experience in relation to the individual who has joined the client; or • Having a professional accountant review the work of the former member of the assurance team. 	<ul style="list-style-type: none"> • 924.5 A2 Examples of actions that might be safeguards to address threats created by such employment relationships include: • Making arrangements such that the individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements. • Making arrangements such that any amount owed to the individual is not material to the firm. • Modifying the plan for the assurance engagement. • Assigning individuals to the assurance team who have sufficient experience relative to the individual who has joined the client. • Having a professional accountant review the work of the former assurance team member. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
291.128	<p>If a former partner of the firm has previously joined an entity in such a position and the entity subsequently becomes an assurance client of the firm, <u>the significance of any threats to independence shall be evaluated and safeguards applied when necessary, to eliminate the threat or reduce it to an acceptable level</u></p>	<p>924.5 A3 The requirement to apply the conceptual framework also applies if, prior to an entity becoming a client of the firm, a former partner of the firm has joined the entity in a position set out in paragraph R924.5.</p>	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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291.129	A self-interest threat is created when a member of the assurance team participates in the assurance engagement while knowing that the member of the assurance team will, or may, join the client some time in the future	924.6 A1 A self-interest threat is created when an assurance team member participates in the assurance engagement while knowing that the assurance team member will, or might, join the client sometime in the future.	
	Firm policies and procedures shall require members of an assurance team to notify the firm when entering employment negotiations with the client. On receiving such notification, the significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level	R924.6 A firm shall have policies and procedures that require assurance team members to notify the firm when entering employment negotiations with an assurance client.	
	Examples of such safeguards include: <ul style="list-style-type: none"> • Removing the individual from the assurance team; or • A review of any significant judgments made by that individual while on the team. 	924.6 A2 An example of an action that might be a safeguard to address threats set out in paragraph 924.4 A1 is having an appropriate individual review any significant judgments made by that individual while on the team. An action that might eliminate those threats is removing the individual from the assurance engagement.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
Section 922 Recent Service with an Assurance Client			
291.130	Self-interest, self-review or familiarity threats may be created if a member of the assurance team has recently served as a director, officer, or employee of the assurance client. This would be the case	922.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to	

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	when, for example, a member of the assurance team has to evaluate elements of the subject matter information the member of the assurance team had prepared while with the client.	922.2	identify, evaluate and address threats to independence. Self-interest, self-review or familiarity threats might be created if an assurance team member has recently served as a director or officer or employee of the assurance client.	
		922.3	Section 922 sets out specific requirements and application material relevant to applying the conceptual framework in circumstances where assurance team members have served with an assurance client.	
291.131	If, during the period covered by the assurance report, a member of the assurance team had served as director or officer of the assurance client, or was an employee in a position to exert significant influence over the subject matter information of the assurance engagement, <u>the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Consequently, such individuals shall not be assigned to the assurance team.</u>	R922.4	The assurance team shall not include an individual who, during the period covered by the assurance report: (a) Had served as a director or officer of the assurance client; or (b) Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.	Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
291.132	Self-interest, self-review or familiarity threats may be created if, before the period covered by the assurance report, a member of the assurance team had served as director or officer of the assurance client, or	922.5 A1	Self-interest, self-review or familiarity threats might be created if, before the period covered by the assurance report, an assurance team member:	

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	<p>was an employee in a position to exert significant influence over the subject matter information of the assurance engagement. For example, such threats would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current assurance engagement.</p>	<p>(a) Had served as director or officer of the assurance client, or</p> <p>(b) Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.</p> <p>For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current assurance engagement.</p>	
	<p>The existence and significance of any threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual held with the client; • The length of time since the individual left the client; and • The role of the professional on the assurance team. 	<p>922.5 A2 Factors that are relevant in evaluating the level of any threats created by such recent service with an assurance client include:</p> <ul style="list-style-type: none"> • The position the individual held with the client. • The length of time since the individual left the client. • The role of the assurance team member. 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
	<p>The significance of any threat shall be evaluated and safeguards applied when necessary to reduce the threat to an acceptable level.</p>		<p>Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p>

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	An example of such a safeguard is conducting a review of the work performed by the individual as part of the assurance team.	922.5 A3	An example of an action that might be a safeguard to address the threats set out in paragraph 922.5 A1 is conducting a review of the work performed by the individual as an assurance team member.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
Section 923 Serving as a Director or Officer of an Assurance Client				
291.133	If a partner or employee of the firm serves a director or officer of an assurance client, <u>the self-review and self-interest threats would be so significant that no safeguards could reduce the threats to an acceptable level.</u> Accordingly, no partner or employee shall serve as a director or officer of an assurance client.	923.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
		923.2	Self-review and self-interest threats are created if a partner or employee of the firm serves as a director or officer of an assurance client.	
		923.3	Section 923 sets out specific requirements and application material relevant to applying the conceptual framework in these circumstances.	
		R923.4	A partner or employee of the firm shall not serve as a director or officer of an assurance client of the firm.	
291.134	The position of Company Secretary has different implications in different jurisdictions. Duties may range from administrative duties, such as personnel	923.5 A1	The position of Company Secretary has different implications in different jurisdictions. Duties might range from administrative duties (such as	

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	management and the maintenance of company records and registers, to duties as diverse as ensuring that the company complies with regulation or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity.	personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with regulation or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity.	
291.135	If a partner or employee of the firm serves as Company Secretary for an assurance client, self-review and advocacy threats are created that would generally be so significant that no safeguards could reduce the threats to an acceptable level. Despite paragraph 291.133, when this practice is specifically permitted under local law, professional rules or practice, and provided management makes all relevant decisions, the duties and activities shall be limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns. In those circumstances, the significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.	<p>R923.5 A partner or employee of the firm shall not serve as Company Secretary for an assurance client of the firm unless:</p> <ul style="list-style-type: none"> (a) This practice is specifically permitted under local law, professional rules or practice; (b) Management makes all relevant decisions; and (c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns. <p>A firm shall apply the conceptual framework set out in Section 120 if a partner or employee of the firm performs those duties and activities for an assurance client.</p>	Extant paragraph is redundant given changes to NAS provisions.
291.136	Performing routine administrative services to support a company secretarial function or		

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	providing advice in relation to company secretarial administration matters does not generally create threats to independence, as long as client management makes all relevant decisions.		

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Section 940 Long Association of Personnel with an Assurance Client[∅]		
	940.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	
	940.2 When an individual is involved in an assurance engagement of a recurring nature over a long period of time, familiarity and self-interest threats might be created	
	940.3 Section 940 sets out requirements and application material relevant to applying the conceptual framework to long association of personnel with an assurance client.	
291.137	<p>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 on an assurance engagement of a recurring nature over a long period of time.</p> <p>940.4 A1 A familiarity threat might be created as a result of an individual's long association with:</p> <ul style="list-style-type: none"> (a) The assurance client; or (b) The subject matter and subject matter information of the assurance engagement. <p>940.4 A2 A self-interest threat might be created as a result of an individual's concern</p>	

[∅] Extant Code refers to the text of the Long Association Close-off Document.

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	<p>A familiarity threat may be created as a result of an individual's long association with:</p> <ul style="list-style-type: none"> • The assurance client; or • The subject matter and subject matter information of the assurance engagement. <p>A self-interest threat may be created as a result of an individual's concern about losing a longstanding assurance client or an interest 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.</p>	<p>about losing a longstanding assurance client or an interest in maintaining a close personal relationship with the assurance client or a member of senior management. Such a threat might influence the individual's judgment inappropriately.</p>	
Section 950, Provision of Non-assurance Services to an Assurance Service Client			
		<p>950.1 Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p>	<p>New introductory material.</p>
291.138	<p>Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the</p>	<p>950.2 Firms might provide a range of non-assurance services to their assurance clients, consistent with their skills and expertise. Providing non-assurance services to assurance clients might</p>	<p>Derived from paragraph 291.138 and aligned to proposed paragraph 600.1.</p>

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	assurance team. The threats created are most often self-review, self-interest and advocacy threats.	create threats to compliance with the fundamental principles and threats to independence.	
		950.3 Section 950 sets out specific requirements and application material relevant to applying the conceptual framework when providing non-assurance services to assurance clients.	New introductory material, aligns to proposed paragraph 600.3
291.139	When specific guidance on a particular non-assurance service is not included in this section, the conceptual framework shall be applied when evaluating the particular circumstances.		The introduction section (paragraphs 950.1–950.3) clarify the applicability of the conceptual framework. Accordingly, this paragraph is deleted.
291.140	Before the firm accepts an engagement to provide a non-assurance service to an assurance client, a determination shall be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the assurance team has reason to believe is created by providing other related non-assurance services. If a threat is created that cannot be reduced to an acceptable level by the application of	<p>R950.4 Before a firm accepts an engagement to provide a non-assurance service to an assurance client, the firm shall determine whether providing such a service would create a threat to independence.</p> <p>950.4 A1 The requirements and application material in Section 950 assist firms in analyzing certain types of non-assurance services and the related threats that might be created when a firm accepts or provides non-assurance services to an assurance client.</p>	<p>Aligns to material in proposed paragraph R600.4 and 600.4 A1</p> <p>The last sentence of paragraph 291.140 of the extant Code is covered by paragraph 120.10 A2 of the conceptual framework.</p>

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	safeguards the non-assurance service shall not be provided.		
		<p>950.4 A2 New business practices, the evolution of financial markets and changes in information technology are amongst the developments that make it impossible to draw up an all-inclusive list of non-assurance services that might be provided to an assurance client. As a result, the Code does not include an exhaustive listing of all non-assurance services that might be provided to an assurance client.</p>	New paragraph, aligns to proposed paragraph 600.4 A2
		<p>950.4 A3 Factors that are relevant in evaluating the level of any threats created by providing a non-assurance service to an assurance client include:</p> <ul style="list-style-type: none"> • The nature of the service, and the degree of reliance, if any, that will be placed on the outcome of that service as part of the assurance engagement. • Whether the outcome of the service will affect matters reflected in the subject matter or subject matter information of the assurance engagement, and, if so: <ul style="list-style-type: none"> ○ The extent to which the 	New paragraph, aligns to proposed paragraph 600.4 A4

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		<p>outcome of the service will have a material or significant effect on the subject matter of the assurance engagement.</p> <ul style="list-style-type: none"> ○ The extent of the assurance client's involvement in determining and accepting its responsibilities for those matters where they involve significant professional judgment. ○ The extent of the assurance client's involvement in determining significant matters of judgment. ● The level of expertise of the client's employees with respect to the type of service provided. 	
		<p>950.4 A4 Materiality in relation to an assurance client's information is addressed in <i>International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information</i>. The determination of materiality involves</p>	<p>New paragraph, aligns to proposed 605.A1</p>

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		the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.	
291.141	Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.	950.5 A2 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.	
291.142	<p>Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered a management responsibility include:</p> <ul style="list-style-type: none"> • Setting policies and strategic direction. • Hiring or dismissing employees. • Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity. • Authorizing transactions. • Control or management of bank accounts or investments. 	<p>950.5 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered a management responsibility include:</p> <ul style="list-style-type: none"> • Setting policies and strategic direction. • Hiring or dismissing employees. • Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity. • Authorizing transactions • Controlling or managing bank accounts or investments. 	

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	<ul style="list-style-type: none"> • Deciding which recommendations of the firm or other third parties to implement. • Reporting to those charged with governance on behalf of management. • Taking responsibility for designing, implementing, monitoring or maintaining internal controls. 	<ul style="list-style-type: none"> • Deciding which recommendations of the firm or other third parties to implement. • Reporting to those charged with governance on behalf of management. • Taking responsibility for designing, implementing, monitoring and maintaining internal control. 	
291.143	In providing assurance services to an assurance client, a firm shall not assume a management responsibility as part of the assurance service. If the firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. If the firm assumes a management responsibility as part of any other services provided to the assurance client, the firm shall ensure that the responsibility is not related to the subject matter or subject matter information of the assurance engagement provided by the firm.	R950.5 A firm shall not assume a management responsibility as part of an assurance service. If the firm assumes a management responsibility as part of any other services provided to the assurance client, the firm shall establish appropriate policies and procedures to ensure that the responsibility is not related to the subject matter or subject matter information of the assurance engagement provided by the firm.	
		950.5 A1 Assuming a management responsibility as part of an assurance service creates self-review, self-interest and familiarity	New paragraph

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		threats.	
291.144	<p>When providing services that are related to the subject matter or subject matter information of an assurance engagement provided by the firm, the firm shall be satisfied that client management makes all judgments and decisions relating to the subject matter or subject matter information of the assurance engagement that are the responsibility of management. This includes ensuring that the client's management:</p> <ul style="list-style-type: none"> • Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services; • Provides oversight of the services and evaluates the adequacy of the results of the services performed for the client's purpose; and • Accepts responsibility for the actions, if any, to be taken arising from the results of the services. 	<p>R950.6 When providing services that are related to the subject matter or subject matter information of an assurance engagement, the firm shall be satisfied that client management makes all related judgments and decisions. This includes ensuring that the client's management:</p> <ul style="list-style-type: none"> (d) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand: <ul style="list-style-type: none"> (i) The objectives, nature and results of the services; and (ii) The respective client and firm responsibilities. <p>However, the individual is not required to possess the expertise to perform or re-perform the services.</p> (e) Provides oversight of the services and evaluates the adequacy of the results of the 	

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		<p style="text-align: center;">service performed for the client's purpose; and</p> <p style="text-align: center;">(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.</p>	
		<p>950.7 A1 A firm might provide multiple non-assurance services to an assurance client. When providing a non-assurance service to an assurance client, applying the conceptual framework requires the firm to consider any combined effect of threats created by other non-assurance services provided to the assurance client.</p>	New paragraph
291.145	<p>Threats to independence may be created when a firm provides a non-assurance service related to the subject matter information of an assurance engagement. In such cases, an evaluation of the significance of the firm's involvement with the subject matter information of the engagement shall be made, and a determination shall be made of whether any self-review threats that are not at an acceptable level can be reduced to an acceptable level by the application of safeguards.</p>		<p>The material in paragraph 291.145 of the extant Code is addressed in specific requirements and application material in the conceptual framework. Reference is made to the applicability of the conceptual framework in the introductory paragraphs of Section 950.</p>

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291.146	A self-review threat may be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement. For example, a self-review threat would be created if the firm developed and prepared prospective financial information and subsequently provided assurance on this information. Consequently, the firm shall evaluate the significance of any self-review threat created by the provision of such services and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.	<p>950.8 A1 A self-review threat might be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement.</p> <p>950.8 A2 Examples of non-assurance services that might create self-review threats include:</p> <ul style="list-style-type: none"> (a) Providing services related to the subject matter information of an assurance engagement. 	
291.147	When a firm performs a valuation that forms part of the subject matter information of an assurance engagement, the firm shall evaluate the significance of any self-review threat and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.	<ul style="list-style-type: none"> (b) Preparing subject matter information which is subsequently the subject matter information of an assurance engagement, such as, if the firm developed and prepared prospective information and subsequently provided assurance on this information. (c) Performing a valuation that forms part of the subject matter information of an assurance engagement. 	

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Section 905 Fees				
291.148	<p>When the total fees from an assurance client represent a large proportion of the total fees of the firm expressing the conclusion, the dependence on that client and concern about losing the client creates a self-interest or intimidation threat. The significance of the threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The operating structure of the firm; • Whether the firm is well established or new; and • The significance of the client qualitatively and/or quantitatively to the firm. <p><u>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Reducing the dependency on the client; • External quality control reviews; or 	905.1	Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text
		905.2	The nature and level of fees or other types of remuneration might create self-interest or intimidation threats.	
		905.3	Section 905 sets out specific requirements and application material relevant to applying the conceptual framework to fees or other remuneration.	
		905.4 A1	When the total fees generated from an assurance client by the firm expressing the conclusion in an assurance engagement represent a large proportion of the total fees of that firm, the dependence on that client and	

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	<ul style="list-style-type: none"> Consulting a third party, such as a professional regulatory body or a professional accountant, on key assurance judgments. 	<p>concern about losing the client create a self-interest or intimidation threat. Factors that are relevant in evaluating the level of those threats include:</p> <ul style="list-style-type: none"> The operating structure of the firm. Whether the firm is well established or new. The significance of the client qualitatively and/or quantitatively to the firm. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
		<p>905.4 A2 Examples of actions that might be safeguards to address the threats set out in paragraph 905.4 A1 include:</p> <ul style="list-style-type: none"> Increasing the client base in the firm to reduce dependence on the assurance client. External quality control reviews. Consulting a third party, such as a professional body or a professional accountant, on key assurance judgments and taking appropriate steps following that consultation. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
291.149	A self-interest or intimidation threat is also created when the fees generated from an assurance client represent a large proportion of the revenue from an individual partner's clients. The significance of the	905.5 A1 A self-interest or intimidation threat is also created when the fees generated by the firm from an assurance client represent a large proportion of the revenue from an individual partner's clients.	

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	threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is having an additional professional accountant who was not a member of the assurance team review the work or otherwise advise as necessary.	905.5 A2 An example of an action that might be a safeguard to address the threats set out in paragraph 905.5 A1 is having an additional professional accountant who was not an assurance team member review the work or otherwise advise as necessary.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
291.150	A self-interest threat may be created if fees due from an assurance client remain unpaid for a long time, especially if a significant part is not paid before the issue of the assurance report, if any, for the following period. Generally the firm is expected to require payment of such fees before any such report is issued. If fees remain unpaid after the report has been issued, the existence and significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is having another professional accountant who did not take part in the assurance engagement provide advice or review the work performed. The firm shall determine whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the	905.6 A1 A self-interest threat might be created if a significant part of fees is not paid before the assurance report, if any, for the following period is issued. It is generally expected that the firm will require payment of such fees before any such report is issued. The requirements and application material set out in Section 911 with respect to loans and guarantees might also be relevant to situations where such unpaid fees exist.	
		R905.7 When a significant part of fees due from an assurance client remains unpaid for a long time, the firm shall determine: <ul style="list-style-type: none"> (a) Whether the overdue fees might be equivalent to a loan to the client; and (b) Whether it is appropriate for the firm to be re-appointed or continue the assurance engagement because of the significance of the overdue fee. 	

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	significance of the overdue fees, it is appropriate for the firm to be re-appointed or continue the assurance engagement.	905.6 A2 Examples of actions that might be safeguards to address threats created by overdue fees include: (a) Obtaining partial payment of the fees. (b) Having an additional professional accountant, who did not take part in the assurance engagement review the work performed.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
290.151	Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. For the purposes of this section, fees are not regarded as being contingent if established by a court or other public authority.	905.8 A1 Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, fees are not regarded as being contingent if established by a court or other public authority.	
290.152	A contingent fee charged directly or indirectly, for example through an intermediary, by a firm in respect of an assurance engagement creates a self-interest threat that is so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, a firm shall not enter into any such fee arrangement.	R905.9 A firm shall not charge, directly or indirectly, a contingent fee for an assurance engagement.	
290.153	A contingent fee charged directly or indirectly, for example through an intermediary, by a firm in respect of a non-	R905.10 A firm shall not charge directly or indirectly, a contingent fee for a non-assurance service provided to an assurance client if the outcome	

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	<p style="text-align: center;">of the non-assurance service, and therefore, the amount of the fee, is dependent on a future or contemporary judgment related to a matter that is material to the subject matter information of the assurance engagement.</p>	
<p>290.154</p> <p>For other contingent fee arrangements charged by a firm for a non-assurance service to an assurance client, the existence and significance of any threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The range of possible fee amounts; • Whether an appropriate authority determines the outcome of the matter upon which the contingent fee will be determined; • The nature of the service; and • The effect of the event or transaction on the subject matter information. <p><u>The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce</u></p>	<p>905.10 A1 Paragraphs R905.9 and R905.10 preclude a firm from entering into certain contingent fee arrangements with an assurance client. Even if such contingent fee arrangements are not precluded when providing a non-assurance service to an assurance client, a self-interest threat might still be created. Factors that are relevant in evaluating the level of such threats include:</p> <ul style="list-style-type: none"> • The range of possible fee amounts. • Whether an appropriate authority determines the outcome of the matter upon which the contingent fee will be determined. • The nature of the service. • The effect of the event or transaction on the subject matter information. 	<p>Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	<p><u>them to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the relevant assurance work or otherwise advise as necessary; or • Using professionals who are not members of the assurance team to perform the non-assurance service. 	<p>905.10 A2 Examples of actions that might be safeguards to address a threat created by a contingent fee include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the relevant assurance work or otherwise advise as necessary. • Using professionals who are not members of the assurance team to perform the non-assurance service. 	
Section 906 Gifts and Hospitality			
291.155	<p>Accepting gifts or hospitality from an assurance client may create self-interest and familiarity threats. If a firm or a member of the assurance team accepts gifts or hospitality, unless the value is trivial and inconsequential, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Consequently, a firm or a member of the assurance team shall not accept such gifts or hospitality.</p>	<p>906.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.</p> <p>906.2 Accepting gifts or hospitality from an assurance client might create self-interest, familiarity or other threats.</p> <p>906.3 Section 906 sets out a specific requirement relevant to applying the conceptual framework to offers of gifts and hospitality.</p> <p>R906.4 A firm or an assurance team member shall not accept gifts or hospitality from an assurance client, unless the value is trivial and inconsequential.</p>	

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Section 907 Actual or Threatened Litigation			
290.156	<p>When litigation takes place, or appears likely, between the firm or a member of the assurance team and the assurance client, self-interest and intimidation threats are created. The relationship between client management and the members of the assurance team must be characterized by complete candor and full disclosure regarding all aspects of a client's business operations. When the firm and the client's management are placed in adversarial positions by actual or threatened litigation, affecting management's willingness to make complete disclosures self-interest and intimidation threats are created. The significance of the threats created will depend on such factors as:</p> <ul style="list-style-type: none"> • The materiality of the litigation; and • Whether the litigation relates to a prior assurance engagement. <p><u>The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce</u></p>	907.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.	
	907.2	When litigation occurs, or appears likely, between an assurance client and the firm or an assurance team member, self-interest and intimidation threats are created.	
	907.3	Section 907 sets out specific application material relevant to applying the conceptual framework to such actual or threatened litigation.907.1	
	907.4 A1	<p>The relationship between client management and assurance team members must be characterized by complete candor and full disclosure regarding all aspects of a client's operations. The adversarial positions which might result from actual or threatened litigation might affect management's willingness to make complete disclosures and create self-interest and intimidation threats. Factors that are relevant in evaluating the level of such threats include:</p> <p>(a) The materiality of the litigation.</p>	Underlined text is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text

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	<p><u>them to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • If the litigation involves a member of the assurance team, removing that individual from the assurance team; or • Having a professional review the work performed. <p><u>If such safeguards do not reduce the threats to an acceptable level, the only appropriate action is to withdraw from, or decline, the assurance engagement.</u></p>	<p>(b) Whether the litigation relates to a prior assurance engagement.</p> <hr/> <p>907.4 A2 An example of an action that might be a safeguard to address threats created by actual or threatened litigation is having a professional review the work performed.</p> <p>If the litigation involves an assurance team member, an action that might eliminate those threats is removing that individual from the assurance team.</p>	<p></p> <hr/> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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PART 2 – PROFESSIONAL ACCOUNTANTS IN BUSINESS®				
Section 200 Applying the Conceptual Framework – Professional Accountants in Business				
300.1	<p>This Part of the Code describes how the conceptual framework contained in Part A applies in certain situations to professional accountants in business. It does not describe all of the circumstances and relationships that could be encountered by a professional accountant that create or may create threats to compliance with the fundamental principles. Therefore, the professional accountant is encouraged to be alert for such circumstances and relationships.</p>	200.1	<p>This Part of the Code describes requirements and application material for professional accountants in business when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships that could be encountered by professional accountants in business, which create or might create threats to compliance with the fundamental principles. Therefore, professional accountants in business are required to be alert for such facts and circumstances.</p>	<p>The importance of professional accountants “remaining alert” is also addressed in the new application material in paragraph 120.9 A1 of the restructured Code.</p>

® Extant Code in this section refer to the provisions in Part C of the Extant Code as revised in the Close-off document for Part C Phase 1.

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300.2	<p>Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of professional accountants in business. Professional accountants in business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters.</p>	200.2	<p>Investors, creditors, employers and other sectors of the business community, as well as governments and the public, might rely on the work of professional accountants in business. Professional accountants in business might be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and third parties might rely. They might also be responsible for providing effective financial management and competent advice on a variety of business-related matters.</p>	<p>Wording added to clarify that reference is being made to professional accountants in business.</p>
		200.4	<p>In this Part, the term “professional accountant” refers to:</p> <ul style="list-style-type: none"> (a) Professional accountants in business; and (b) Professional accountants in public practice when performing professional activities pursuant to the professional accountant’s employment or ownership relationship with their firm. More information on when Part 2 might be applicable to professional accountants in public practice is set out in R120.4, 120.4 A1, R300.5 and 300.5 A1. 	

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300.3	A professional accountant in business may be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the professional accountant with the employing organization has no bearing on the ethical responsibilities incumbent on the professional accountant.	200.3	A professional accountant in business might be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the accountant with the employing organization has no bearing on the ethical responsibilities placed on the accountant.	
		200.4	In this Part, the term “professional accountant” refers to: (a) Professional accountants in business; and (b) Professional accountants in public practice when performing professional activities pursuant to the professional accountant’s employment or ownership relationship with their firm. More information on when Part 2 might be applicable to professional accountants in public practice is set out in R120.4, 120.4 A1, R300.5 and 300.5 A1.	
300.4	A professional accountant in business has a responsibility to further the legitimate aims of the accountant’s employing organization. This Code does not seek to hinder a professional accountant in business from properly fulfilling	200.5 A1	A professional accountant has a responsibility to further the legitimate objectives of the accountant’s employing organization. The Code does not seek to hinder accountants from fulfilling that	

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	that responsibility, but addresses circumstances in which compliance with the fundamental principles may be compromised.		responsibility, but addresses circumstances in which compliance with the fundamental principles might be compromised.	
300.5	<p>All professional accountants have a responsibility to act in the public interest. The more senior the position of the professional accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization.</p> <p>A professional accountant in business is expected to encourage and promote an ethics-based culture in the organization, taking into account the professional accountant's position and seniority in the organization, and to the extent that the professional accountant is able to do so. Examples of actions that may be taken include the introduction, implementation and oversight of ethics education and training programs; ethics and whistle-blowing policies; and policies and procedures to prevent non-compliance with laws and regulations.</p>	200.5 A3	<p>All professional accountants have a responsibility to act in the public interest. The more senior the position of the accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. To the extent that they are able to do so, taking into account their position and seniority in the organization, accountants are expected to encourage and promote an ethics-based culture in the organization. Examples of actions that might be taken include the introduction, implementation and oversight of:</p> <ul style="list-style-type: none"> • Ethics education and training programs. • Ethics and whistle-blowing policies. • Policies and procedures designed to prevent non-compliance with laws and regulations. 	
300.6	A professional accountant in business shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the	R200.5	A professional accountant shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify,	

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	profession and as a result would be incompatible with the fundamental principles.	evaluate and address threats to compliance with the fundamental principles.	
300.7	<p>Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances and relationships. Threats fall into one or more of the following categories:</p> <ul style="list-style-type: none"> (a) Self-interest; (b) Self-review; (c) Advocacy; (d) Familiarity; and (e) Intimidation. <p>These threats are discussed further in Part A of this Code.</p>	<p>200.6 A1 Compliance with the fundamental principles might be threatened by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories that might create those threats for a professional accountant when undertaking a professional activity:</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
300.8	<p>Examples of circumstances that may create self-interest threats for a professional accountant in business include:</p> <ul style="list-style-type: none"> • Holding a financial interest in, or receiving a loan or guarantee from the employing organization. • Participating in incentive compensation arrangements offered by the employing organization. • Inappropriate personal use of corporate assets. • Concern over employment security. • Commercial pressure from outside the employing organization. 	<p>(a) Self-interest Threats</p> <ul style="list-style-type: none"> • A professional accountant holding a financial interest in, or receiving a loan or guarantee from, the employing organization. • A professional accountant participating in incentive compensation arrangements offered by the organization. • A professional accountant using corporate assets for personal use. • A professional accountant accepting a gift or special 	

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		treatment from a supplier of the employing organization.	
300.9	An example of a circumstance that creates a self-review threat for a professional accountant in business is determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported the acquisition decision.	(b) Self-review Threats <ul style="list-style-type: none"> • A professional accountant determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision. 	Example moved so as to fall under the threat to which they relate.
		(c) Advocacy Threats <ul style="list-style-type: none"> • A professional accountant having the opportunity to manipulate information in a prospectus in order to obtain favorable financing. 	Example of advocacy threat added.
300.10	When furthering the legitimate goals and objectives of their employing organizations, professional accountants in business may promote the organization's position, provided any statements made are neither false nor misleading. Such actions generally would not create an advocacy threat.	200.5 A2 Professional accountants may promote the position of the employing organization when furthering the legitimate goals and objectives of their employing organization, provided any statements made are neither false nor misleading. Such actions usually would not create an advocacy threat.	
300.11	Examples of circumstances that may create familiarity threats for a professional accountant in business include: <ul style="list-style-type: none"> • Being responsible for the employing organization's financial reporting when an 	(d) Familiarity Threats <ul style="list-style-type: none"> • A professional accountant being responsible for the financial reporting of the employing organization when 	Examples moved so as to fall under the threat to which they relate.

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	<p>immediate or close family member employed by the entity makes decisions that affect the entity's financial reporting.</p> <ul style="list-style-type: none"> • Long association with business contacts influencing business decisions. • Accepting a gift or preferential treatment, unless the value is trivial and inconsequential. 	<p>an immediate or close family member employed by the organization makes decisions that affect the financial reporting of the organization.</p> <ul style="list-style-type: none"> • A professional accountant having a long association with contacts influencing business decisions. 	
300.12	<p>Examples of circumstances that may create intimidation threats for a professional accountant in business include:</p> <ul style="list-style-type: none"> • Threat of dismissal or replacement of the professional accountant in business or a close or immediate family member over a disagreement about the application of an accounting principle or the way in which financial information is to be reported. • A dominant personality attempting to influence the decision making process, for example with regard to the awarding of contracts or the application of an accounting principle. 	<p>(e) Intimidation Threats</p> <ul style="list-style-type: none"> • A professional accountant or immediate or close family member facing the threat of dismissal or replacement over a disagreement about the application of either: <ul style="list-style-type: none"> ○ An accounting principle; or ○ The way in which financial information is to be reported. • An individual attempting to influence the decision making process of the professional accountant, for example with regard to the awarding of contracts or the application of an accounting principle. 	<p>Examples moved so as to fall under the threat to which they relate.</p>

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		200.6 A2 Conditions, policies and procedures as described in 120.6 A1 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level. Such conditions, policies and procedures might relate to the employing organization and its operating environment.	New paragraph Conforming amendments arising from safeguards project. See Safeguards ED-2.
300.13	Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories: (a) Safeguards created by the profession, legislation or regulation; and (b) Safeguards in the work environment. Examples of safeguards created by the profession, legislation or regulation are detailed in paragraph 100.14 of Part A of this Code.		
300.14	Safeguards in the work environment include: <ul style="list-style-type: none"> • The employing organization's systems of corporate oversight or other oversight structures. • The employing organization's ethics and conduct programs. • Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent staff. • Strong internal controls. 	200.6 A4 A professional accountant's evaluation of the level of a threat might be impacted by the work environment within the employing organization and its operating environment. For example: <ul style="list-style-type: none"> • Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner. • Policies and procedures to empower and encourage employees to 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<ul style="list-style-type: none"> • Appropriate disciplinary processes. • Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner. • Policies and procedures to implement and monitor the quality of employee performance. • Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures. • Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution. • Consultation with another appropriate professional accountant. 		<p>communicate ethical issues that concern them to senior levels without fear of retribution.</p> <ul style="list-style-type: none"> • Policies and procedures to implement and monitor the quality of employee performance. • Systems of corporate oversight or other oversight structures and strong internal controls. • Recruitment procedures emphasizing the importance of employing high caliber competent personnel. • Timely communication of policies and procedures including any changes to them, to all employees and appropriate training and education on such policies and procedures. • Ethics and code of conduct policies. 	
300.15	In circumstances where a professional accountant in business believes that unethical behavior or actions by others will continue to occur within the employing organization, the professional accountant in business may consider obtaining legal advice. In those extreme situations where all available safeguards have been exhausted and it is not	200.7 A1	Professional accountants might consider obtaining legal advice where they believe that unethical behavior or actions by others have occurred, or will continue to occur, within the employing organization.	Conforming amendments arising from safeguards project. See Safeguards ED-2.
		200.7 A2	In extreme situations, if the circumstances that created the threats cannot be eliminated or safeguards are not capable of	

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	possible to reduce the threat to an acceptable level, a professional accountant in business may conclude that it is appropriate to resign from the employing organization.		being applied to reduce the threat to an acceptable level, it might be necessary for a professional accountant to resign from the employing organization.	
100.25	<p><i>Communicating with Those Charged with Governance</i></p> <p>When communicating with those charged with governance in accordance with the provisions of this Code, the professional accountant or firm shall determine, having regard to the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the professional accountant or firm communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, the professional accountant or firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.</p>	<p>200.8 A1</p> <p>In determining with whom to communicate, a professional accountant might consider:</p> <p>(a) The nature and importance of the circumstances; and</p> <p>(b) The matter to be communicated.</p> <p>200.8 A2</p> <p>If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.</p>	Paragraphs added to conform to Section 300.	
100.26	In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those person(s) also have governance	R200.9	If a professional accountant communicates with individuals who have management responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.	Paragraphs added to conform to Section 300.

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	responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The professional accountant or firm shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the professional accountant or firm would otherwise communicate in their governance capacity.	200.9 A1	In some circumstances, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those persons also have governance responsibilities, the matters do not need to be communicated again with those same persons in their governance role.	
Section 210 Conflicts of Interest				
		210.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	New introductory material.
310.1	A professional accountant in business may be faced with a conflict of interest when undertaking a professional activity. A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles.	210.2	A conflict of interest creates a threat to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:	
	Such threats may be created when: <ul style="list-style-type: none"> The professional accountant undertakes a professional activity related to a particular matter for two or more parties 	(a)	A professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with	

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	<p>whose interests with respect to that matter are in conflict; or</p> <ul style="list-style-type: none"> The interests of the professional accountant with respect to a particular matter and the interests of a party for whom the professional accountant undertakes a professional activity related to that matter are in conflict. <p>A party may include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.</p>		<p>respect to that matter are in conflict; or</p> <p>(b) The interest of a professional accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.</p> <p>A party might include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.</p>	
	<p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p>			
		210.3	<p>Section 210 sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest.</p>	<p>New introductory material.</p>
310.2	<p>Examples of situations in which conflicts of interest may arise include:</p> <ul style="list-style-type: none"> Serving in a management or governance position for two employing organizations and acquiring confidential information from one employing organization that could be used by the professional accountant to the advantage or disadvantage of the other employing organization. 	210.4 A1	<p>Examples of circumstances that might create a conflict of interest include:</p> <ul style="list-style-type: none"> Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the professional accountant to the advantage or disadvantage of the other organization. 	

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	<ul style="list-style-type: none"> • Undertaking a professional activity for each of two parties in a partnership employing the professional accountant to assist them to dissolve their partnership. • Preparing financial information for certain members of management of the entity employing the professional accountant who are seeking to undertake a management buy-out. • Being responsible for selecting a vendor for the accountant's employing organization when an immediate family member of the professional accountant could benefit financially from the transaction. • Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those specific investments will increase the value of the personal investment portfolio of the professional accountant or an immediate family member. 		<ul style="list-style-type: none"> • Undertaking a professional activity for each of two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership. • Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out. • Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction. • Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member. 	
310.3	When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing safeguards, when necessary, to eliminate or reduce any threat to compliance with the fundamental principles to an acceptable level, a professional accountant	R210.5	A professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or	

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	in business shall exercise professional judgment and be alert to all interests and relationships that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude might compromise compliance with the fundamental principles.	more of the fundamental principles. Such steps shall including identifying: (a) The nature of the relevant interests and relationships between the parties involved; and (b) The activity and its implication for relevant parties.	
310.4	When addressing a conflict of interest, a professional accountant in business is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another professional accountant. When making disclosures or sharing information within the employing organization and seeking guidance of third parties, the professional accountant shall remain alert to the fundamental principle of confidentiality.	210.9 A1 When addressing a conflict of interest, the professional accountant is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another accountant. When making such disclosures or sharing information within the employing organization and seeking guidance of third parties, the principle of confidentiality applies.	
310.5	If the threat created by a conflict of interest is not at an acceptable level, the professional accountant in business shall apply safeguards to eliminate the threat or reduce it to an acceptable level. If safeguards cannot reduce the threat to an acceptable level, the professional accountant shall decline to undertake or discontinue the professional activity that would result in the conflict of interest; or shall terminate the relevant relationships or dispose of relevant interests to	R210.4 A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.	

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	eliminate the threat or reduce it to an acceptable level.		
310.6	<p>In identifying whether a conflict of interest exists or may be created, a professional accountant in business shall take reasonable steps to determine:</p> <ul style="list-style-type: none"> • The nature of the relevant interests and relationships between the parties involved; and • The nature of the activity and its implication for relevant parties. 	R210.6 A professional accountant shall remain alert to changes over time in the nature of the activities, interest and relationships that might create a conflict of interest during a professional activity.	
	The nature of the activities and the relevant interests and relationships may change over time. The professional accountant shall remain alert to such changes for the purposes of identifying circumstances that might create a conflict of interest.		Application material deleted.
310.7	<p>If a conflict of interest is identified, the professional accountant in business shall evaluate:</p> <ul style="list-style-type: none"> • The significance of relevant interests or relationships; and • The significance of the threats created by undertaking the professional activity or activities. In general, the more direct the connection between the professional activity and the matter on which the parties' interests are in conflict, the more significant the threat to objectivity and 	210.7 A1 In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more likely that the level of the threat is not at an acceptable level.	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	compliance with the other fundamental principles will be.		
310.8	<p>The professional accountant in business shall apply safeguards, when necessary, to eliminate the threats to compliance with the fundamental principles created by the conflict of interest or reduce them to an acceptable level. Depending on the circumstances giving rise to the conflict of interest, application of one or more of the following safeguards may be appropriate:</p> <ul style="list-style-type: none"> • Restructuring or segregating certain responsibilities and duties. • Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director. • Withdrawing from the decision-making process related to the matter giving rise to the conflict of interest. • Consulting with third parties, such as a professional body, legal counsel or another professional accountant. 	<p>210.7 A2 Examples of actions that might be safeguards to address threats created by conflicts of interest include:</p> <ul style="list-style-type: none"> • A restructure or segregation of certain responsibilities and duties. • Appropriate oversight, for example, acting under the supervision of an executive or non-executive director. <p>210.7 A3 An action that might eliminate threats created by conflicts of interest is withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.</p>	<p>Example on consulting with third parties deleted as Material is covered by the enhanced conceptual framework set out in Section 120 of the agreed-in-principle text</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
310.9	In addition, it is generally necessary to disclose the nature of the conflict to the relevant parties, including to the appropriate levels within the employing organization and, when safeguards are required to reduce the threat to an acceptable level, to obtain their consent to the	<p>210.8 A1 It is generally necessary:</p> <p>(a) To disclose the nature of the conflict of interest and how any threats created were addressed to the relevant parties, including, to the appropriate levels within the</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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	professional accountant in business undertaking the professional activity.	<p>employing organization affected by a conflict; and</p> <p>(b) When safeguards are applied to address the threat, to obtain consent from the relevant parties for the professional accountant to undertake the professional activity.</p>	
	In certain circumstances, consent may be implied by a party's conduct where the professional accountant has sufficient evidence to conclude that parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.	210.8 A2 Consent might be implied by a party's conduct in circumstances where the professional accountant has sufficient evidence to conclude that parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.	
310.10	When disclosure is verbal, or consent is verbal or implied, the professional accountant in business is encouraged to document the nature of the circumstances giving rise to the conflict of interest, the safeguards applied to reduce the threats to an acceptable level and the consent obtained.	210.8 A3 If such disclosure or consent is not in writing, the professional accountant is encouraged to document: <ul style="list-style-type: none"> (a) The nature of the circumstances giving rise to the conflict of interest; (b) The safeguards applied to address the threats; and (c) The consent obtained. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
310.11	A professional accountant in business may encounter other threats to compliance with the fundamental principles. This may occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the employing organization or	210.10 A1 A professional accountant might encounter other threats to compliance with the fundamental principles, for example, when: <ul style="list-style-type: none"> • Preparing or presenting financial information as a result of undue 	

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	financial, business or personal relationships that close or immediate family members of the professional accountant have with the employing organization. Guidance on managing such threats is covered by Sections 320, 340 and 370 of the Code.		<p>pressure from others within the employing organization or</p> <ul style="list-style-type: none"> Financial, business or personal relationships that immediate or close family members of the professional accountant have with the employing organization. <p>Requirements and application material relevant to such threats is set out in Sections 220, 240 and 270.</p>	
SECTION 220 Preparation and Presentation of Information				
		220.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	New introductory material.
		220.2	Self-interest, intimidation or other threats to compliance with the fundamental principles might be created when an accountant is responsible for preparing or presenting information.	
		220.3	Section 220 sets out specific requirements and application material relevant to applying the conceptual framework when preparing and presenting information.	
320.1	Professional accountants in business at all levels in an employing organization are involved in the preparation and presentation of	220.4 A1	Professional accountants at all levels in an employing organization are involved in the	

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<p>information both within and outside the employing organization.</p>	<p>preparation and presentation of information both within and outside the organization.</p>	
<p>Stakeholders to whom, or for whom, such information is prepared or presented, include:</p> <ul style="list-style-type: none"> • Management and those charged with governance. • Investors, lenders and other creditors. • Regulators. <p>This information may assist stakeholders in understanding and evaluating aspects of the organization’s state of affairs and in making decisions concerning the organization. This includes financial and non-financial information that may be made public or used for internal purposes.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Operating and performance reports. • Decision support analyses. • Budgets and forecasts. • Information provided to the internal and external auditors. • Risk analyses. • General and special purpose financial statements. • Tax returns. • Reports filed with regulators for legal and compliance purposes. 	<p>220.5 A2 Stakeholders to whom, or for whom, such information is presented or prepared, include:</p> <ul style="list-style-type: none"> • Management and those charged with governance. • Investors, lenders and other creditors. • Regulators. <p>This information might assist stakeholders in understanding and evaluating aspects of the organization’s state of affairs and in making decisions concerning the organization. Information can include financial and non-financial information that might be made public or used for internal purposes.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Operating and performance reports. • Decision support analyses. • Budgets and forecasts. • Information provided to the internal and external auditors. • Risk analyses. • General and special purpose financial statements. • Tax returns. 	

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		<ul style="list-style-type: none"> • Reports filed with regulators for legal and compliance purposes. 	
320.2	Professional accountants in business who are responsible for recording, maintaining, preparing, approving or presenting information shall do so in accordance with the fundamental principles.	220.6 A1 For the purposes of this section, preparing or presenting information includes recording, maintaining and approving information.	
	<p>This includes:</p> <ul style="list-style-type: none"> • Presenting the information in accordance with a relevant reporting framework, where applicable. • Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately. • Not omitting information with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately. <p>An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.</p>	<p>220.7 A1</p> <p>The professional accountant is required to comply with the fundamental principles when preparing or presenting information which includes:</p> <ul style="list-style-type: none"> • Presenting the information in accordance with a relevant reporting framework, where applicable. • Preparing or presenting it in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately. • Not omitting information with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately. An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant 	

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		or of a regulatory requirement such as a capital requirement of a financial institution.	
	<p>This responsibility involves using professional judgment to:</p> <ul style="list-style-type: none"> • Represent the facts accurately and completely in all material respects. • Describe clearly the true nature of business transactions or activities. • Classify and record information in a timely and proper manner. 	<ul style="list-style-type: none"> • Exercising professional judgment to: <ul style="list-style-type: none"> ○ Represent the facts accurately and completely in all material respects. ○ Describe clearly the true nature of business transactions or activities. ○ Classify and record information in a timely and proper manner. 	
320.3	<p>Preparing or presenting information may require the exercise of discretion in making professional judgments. Preparing or presenting such information in accordance with the fundamental principles requires the professional accountant not to exercise such discretion with the intention of misleading or influencing contractual or regulatory outcomes inappropriately. This includes not using discretion to achieve inappropriate outcomes in one or more of the following ways:</p> <ul style="list-style-type: none"> • Determining estimates. For example, determining fair value estimates in order to misrepresent profit or loss. • Selecting or changing an accounting policy or method among two or more alternatives permitted under the 	<p>R220.8 Preparing or presenting information might require the exercise of discretion in making professional judgements. The professional accountant shall not exercise such discretion with the intention of misleading or influencing contractual or regulatory outcomes inappropriately.</p> <p>220.8 A1 Examples of ways in which discretion might be misused to achieve inappropriate outcomes includes:</p> <ul style="list-style-type: none"> • Determining estimates, for example, determining fair value estimates in order to misrepresent profit or loss. • Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting 	

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	<p>applicable financial reporting framework. For example, selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss.</p> <ul style="list-style-type: none"> • Determining the timing of transactions. For example, timing the sale of an asset near the end of the fiscal year in order to mislead. • Determining the structuring of transactions. For example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows. • Selecting disclosures. For example, omitting or obscuring information relating to financial or operating risk in order to mislead. 		<p>framework, for example, selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss.</p> <ul style="list-style-type: none"> • Determining the timing of transactions, for example, timing the sale of an asset near the end of the fiscal year in order to mislead. • Determining the structuring of transactions, for example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows. • Selecting disclosures, for example, omitting or obscuring information relating to financial or operating risk in order to mislead. 	
320.4	<p>When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall use professional judgment to identify and take into account the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed.</p>	R220.9	<p>When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall exercise professional judgment to identify and consider:</p> <ul style="list-style-type: none"> (a) The purpose for which the information is to be used; (b) The context in which it is given; and (c) The audience to whom it is addressed. 	

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	For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who may rely on such information to form their own judgments.	220.9 A1 For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.	
	The professional accountant in business may also consider clarifying the intended audience, context and purpose of the information presented.	220.9 A2 The accountant might also consider clarifying the intended audience, context and purpose of the information to be presented.	
320.5	<p>A professional accountant who intends to rely on the work of others, either internal or external to the organization, shall use professional judgment to determine what steps to take, if any, to ensure that the obligations set out in paragraph 320.2 are fulfilled.</p> <p>Factors to consider in determining whether reliance on others is reasonable include: reputation, expertise, resources available to the individual or organization and whether the other individual is subject to applicable professional and ethical standards.</p> <p>Such information may be gained from prior association with, or from consulting others about, the individual or the organization.</p>	<p>R220.10 A professional accountant who intends to rely on the work of others, either internal or external to the organization, shall exercise professional judgment to determine what steps to take, if any, in order to fulfill the responsibilities set out in paragraph 220.7 A1.</p> <p>220.10 A1 Factors to consider in determining whether reliance on others is reasonable include:</p> <ul style="list-style-type: none"> • Reputation, expertise, resources available to the individual or organization; and • Whether the other individual is subject to applicable professional and ethical standards. <p>Such information might be gained from prior association with, or from consulting</p>	

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		others about, the individual or the organization.	
320.6	<p>If the professional accountant knows or has reason to believe that the information with which the professional accountant is associated is misleading, the professional accountant shall take appropriate actions to seek to resolve the matter. Such actions include:</p> <ul style="list-style-type: none"> • Consulting the employing organization's policies and procedures (for example, an ethics or whistle-blowing policy) regarding how such matters should be addressed internally. • Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the professional accountant's organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter. Such action may include: <ul style="list-style-type: none"> ○ Having the information corrected. ○ If the information has already been disclosed to the intended users, informing them of the correct information. 	<p>R220.11 When the professional accountant becomes aware that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.</p> <p>220.11 A1 Actions that might be appropriate include:</p> <ul style="list-style-type: none"> • Consulting the policies and procedures of the employing organization (for example, an ethics or whistle-blowing policy) regarding how to address such matters internally. • Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the accountant's organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter. Such action might include: <ul style="list-style-type: none"> ○ Having the information corrected. ○ If the information has already been disclosed to the intended 	

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	In situations where the misleading information may involve a violation of a law or regulation, Section 360 provides guidance relating to non-compliance with laws and regulations.	users, informing them of the correct information. In situations where the misleading information might involve non-compliance with laws and regulations, Section 260 sets out requirements and application material on how to respond to such situations.	
320.7	<p>If the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the professional accountant, while being alert to the fundamental principle of confidentiality, shall consider one or more of the following:</p> <ul style="list-style-type: none"> • Consulting with a relevant professional body. • Consulting with the employing organization's internal and external auditor. • Determining whether any requirements exist to communicate to third parties, including users of the information, or regulatory authorities. • Consulting legal counsel. 	<p>R220.12 If the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the professional accountant, while being alert to the principle of confidentiality, shall consider one or more of the following:</p> <ul style="list-style-type: none"> • Consulting with: <ul style="list-style-type: none"> ○ A relevant professional body. ○ The internal and external auditor of the employing organization. ○ Legal counsel. • Determining whether any requirements exist to communicate to: <ul style="list-style-type: none"> ○ Third parties, including users of the information ○ Regulatory and oversight authorities. 	

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320.8	If after exhausting all feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the professional accountant shall refuse to be or to remain associated with the information.	R220.13 If after exhausting all feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the accountant shall refuse to be or to remain associated with the information.	
	The professional accountant also may consider resigning from the employing organization.	220.13 A1 The professional accountant might consider resigning from the employing organization.	
	The professional accountant is also encouraged to document the facts, the accounting principles or other relevant professional standards involved, and the communications and parties with whom these matters were discussed, the courses of action considered, and how the professional accountant attempted to address the matter(s).	220.13 A2 The professional accountant is also encouraged to document: <ul style="list-style-type: none"> • The facts. • The accounting principles or other relevant professional standards involved. • The communications and parties with whom matters were discussed. • The courses of action considered. • How the accountant attempted to address the matter(s). 	
320.9	Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from financial interests, including compensation and incentive linked to financial reporting and decision making, the guidance in Section 340 is relevant.	220.14. A1 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from a financial interest, including compensation and incentive linked to financial reporting and decision making, the	

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			requirements and application material set out in Section 240 are relevant.	
320.10	Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 370 is relevant.	220.14 A2	Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the requirements and application material set out in Section 270 are relevant.	
Section 230 Acting with Sufficient Expertise				
		230.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	New introductory material.
		230.2	Self-interest threats to compliance with the principle of professional competence and due care are created if an accountant does not act with sufficient expertise.	
		230.3	Section 230 sets out specific requirements and application material relevant to applying the conceptual framework to acting with sufficient expertise.	
330.1	The fundamental principle of professional competence and due care requires that a professional accountant in business only undertake significant tasks for which the professional accountant in business has, or can obtain, sufficient specific training or experience.	R230.4	A professional accountant shall not intentionally mislead an employer as to the level of expertise or experience possessed.	
		230.4 A1	The principle of professional competence and due care requires that a professional accountant only undertake significant tasks	

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	A professional accountant in business shall not intentionally mislead an employer as to the level of expertise or experience possessed, nor shall a professional accountant in business fail to seek appropriate expert advice and assistance when required.	for which the accountant has, or can obtain, sufficient training or experience.	
330.2	<p>Circumstances that create a threat to a professional accountant in business performing duties with the appropriate degree of professional competence and due care include having:</p> <ul style="list-style-type: none"> • Insufficient time for properly performing or completing the relevant duties. • Incomplete, restricted or otherwise inadequate information for performing the duties properly. • Insufficient experience, training and/or education. • Inadequate resources for the proper performance of the duties. 	<p>230.4 A2 A threat to compliance with the principle of professional competence and due care might be created if a professional accountant has:</p> <ul style="list-style-type: none"> • Insufficient time for performing or completing the relevant duties. • Incomplete, restricted or otherwise inadequate information for performing the duties. • Insufficient experience, training and/or education. • Inadequate resources for the performance of the duties. 	
330.3	The significance of the threat will depend on factors such as the extent to which the professional accountant in business is working with others, relative seniority in the business, and the level of supervision and review applied to the work. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to	<p>230.4 A3 The level of the threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The extent to which the professional accountant is working with others. • Relative seniority of the accountant in the business. • The level of supervision and review applied to the work. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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	<p>an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Obtaining additional advice or training. • Ensuring that there is adequate time available for performing the relevant duties. • Obtaining assistance from someone with the necessary expertise. • Consulting, where appropriate, with: <ul style="list-style-type: none"> ○ Superiors within the employing organization; ○ Independent experts; or ○ A relevant professional body. 	230.4 A4	<p>Examples of actions that might be safeguards to address the threats set out in paragraph 230.4 A2 include:</p> <ul style="list-style-type: none"> • Obtaining assistance or training from someone with the necessary expertise. • Ensuring that there is adequate time available for performing the relevant duties. 	
330.4	<p>When threats cannot be eliminated or reduced to an acceptable level, professional accountants in business shall determine whether to refuse to perform the duties in question. If the professional accountant in business determines that refusal is appropriate, the reasons for doing so shall be clearly communicated.</p>	R230.5	<p>If threats to a professional accountant's ability to act with sufficient expertise cannot be addressed, the accountant shall determine whether to decline to perform the duties in question. If the professional accountant determines that declining is appropriate, the accountant shall communicate the reasons.</p>	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>
330.5	<p>In cases where a professional accountant in business is pressured to act in a manner that would lead to a breach of the fundamental principle of professional competence and due care, Section 370 of this Code provides guidance.</p>	230.5 A1	<p>The requirements and application material in Section 270 apply when a professional accountant is pressured to act in a manner that might lead to a breach of the principle of professional competence and due care.</p>	
SECTION 240 Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making				

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		240.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	New introductory material.
340.1	Professional accountants in business may have financial interests, including those arising from compensation or incentive arrangements, or may know of financial interests of immediate or close family members, that, in certain circumstances, may create threats to compliance with the fundamental principles.	240.2	A professional accountant having a financial interest, or knowing of any financial interests held by others, might create threats. Self-interest to compliance with the principles of objectivity or confidentiality might, for example, be created where there is a motive or an opportunity to manipulate price-sensitive information.	
	For example, self-interest or familiarity threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price-sensitive information in order to gain financially.	240.3	Section 240 sets out specific requirements and application material relevant to applying the conceptual framework to financial interests, compensation and incentives linked to financial reporting and decision making.	
	Examples of circumstances that may create threats include situations where the professional accountant in business or an immediate or close family member: <ul style="list-style-type: none"> • Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business. 	240.4 A2	Examples of circumstances that might create threats include situations in which the professional accountant or an immediate or close family member: <ul style="list-style-type: none"> • Holds a direct or indirect financial interest in the employing organization and the value of that financial interest might be directly affected by decisions made by the accountant. 	

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	<ul style="list-style-type: none"> • Is eligible for a profit-related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business. • Holds, directly or indirectly, deferred bonus share entitlements or share options in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business. • Otherwise participates in compensation arrangements which provide incentives to achieve performance targets or to support efforts to maximize the value of the employing organization's shares, for example, through participation in long-term incentive plans which are linked to certain performance conditions being met. 		<ul style="list-style-type: none"> • Is eligible for a profit related bonus and the value of that bonus might be directly affected by decisions made by the accountant. • Holds, directly or indirectly, deferred bonus share rights or share options in the organization, the value of which might be affected by decisions made by the accountant. • Participates in compensation arrangements which provide incentives to achieve targets or to support efforts to maximize the value of the organization's shares. An example of such an arrangement might be through participation in incentive plans which are linked to certain performance conditions being met. 	
340.2	A professional accountant in business shall not manipulate information or use confidential information for personal gain or for the financial gain of others.	R240.4	A professional accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.	
340.3	The significance of any threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining	240.4 A3	As part of evaluating whether a threat created by financial interests is at an acceptable level, and, when necessary, in determining whether those threats are addressed, a professional accountant is required to evaluate the nature of the	Conforming amendments arising from safeguards project. See

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	the appropriate safeguards to be applied, a professional accountant in business shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances	financial interest. This includes evaluating the significance of the financial interest. What constitutes a significant financial interest will depend on personal circumstances and the materiality of the financial interest to the individual.	Safeguards ED-2.
340.3	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management. • Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies. • Consultation, where appropriate, with superiors within the employing organization. • Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies. • Internal and external audit procedures. • Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading. 	<p>240.4 A4 Factors that might be relevant in evaluating the level of a threat created by a significant financial interest include:</p> <ul style="list-style-type: none"> • Policies and procedures for a committee independent of management to determine the level or form of senior management remuneration. • In accordance with any internal policies, disclosure to those charged with governance of all relevant interests of: <ul style="list-style-type: none"> ○ Any plans to exercise entitlements; or ○ Trade in relevant shares. ○ Internal and external audit procedures that are specific to address issues that give rise to the financial interest. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.

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340.4	Threats arising from compensation or incentive arrangements may be compounded by explicit or implicit pressure from superiors or colleagues in the employing organization. Section 370 addresses pressure that could lead a professional accountant to breach the fundamental principles.	240.4 A5	Threats arising from compensation or incentive arrangements might be compounded by explicit or implicit pressure from superiors or colleagues. Section 270 addresses pressure that might lead a professional accountant to breach the fundamental principles.	

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SECTION 260 Responding to Non-Compliance with Laws and Regulations (NOCLAR)		
	260.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.	
	260.2 Threats to compliance with the principles of integrity and professional behavior are created when an accountant becomes aware of an act or suspected act of non-compliance with laws and regulations.	
360.1	<p>R260.5 The professional accountant shall apply this section regardless of the nature of the employing organization, including whether or not it is a public interest entity.</p> <p>260.5 A1 A professional accountant might encounter or be made aware of non-compliance or suspected non-compliance with laws and regulations in the course of carrying out professional activities. This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to it.</p>	New introductory material; merged paragraphs 360.1 and 360.5.
360.2	260.4 A1 Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional,	

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	committed by the professional accountant's employing organization or by those charged with governance, by management, or by other individuals working for or under the direction of the employing organization which are contrary to the prevailing laws or regulations.		<p>unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</p> <ul style="list-style-type: none"> (a) The professional accountant's employing organization; (b) Those charged with governance of the employing organization; (c) Management; or (d) Other individuals working for or under the direction of the employing organization. 	
360.3	In some jurisdictions, there are legal or regulatory provisions governing how professional accountants should address non-compliance or suspected non-compliance which may differ from or go beyond this section. When encountering such non-compliance or suspected non-compliance, the professional accountant has a responsibility to obtain an understanding of those provisions and comply with them, including any requirement to report the matter to an appropriate authority and any prohibition on alerting the relevant party prior to making any disclosure, for example, pursuant to anti-money laundering legislation.	R260.6	<p>In some jurisdictions, there are legal or regulatory provisions governing how professional accountants are required to address non-compliance or suspected non-compliance. These legal or regulatory provisions might differ from or go beyond the provisions in this section. When encountering such non-compliance or suspected non-compliance, the accountant shall obtain an understanding of those legal or regulatory provisions and comply with them, including:</p> <ul style="list-style-type: none"> (a) Any requirement to report the matter to an appropriate authority; and (b) Any prohibition on alerting the relevant party prior to making any disclosure. <p>260.6 A1 A prohibition on alerting the party prior to making any disclosure might arise, for</p>	

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		example, pursuant to anti-money laundering legislation.	
360.4	<p>A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the professional accountant are:</p> <p>(a) To comply with the fundamental principles of integrity and professional behavior;</p> <p>(b) By alerting management or, where appropriate, those charged with governance of the employing organization, to seek to:</p> <p style="padding-left: 40px;">(i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or</p> <p style="padding-left: 40px;">(ii) Deter the commission of the non-compliance where it has not yet occurred; and</p> <p>(c) To take such further action as appropriate in the public interest.</p>	<p>260.7 A1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the professional accountant are:</p> <p>(a) To comply with the principles of integrity and professional behavior;</p> <p>(b) By alerting management or, where appropriate, those charged with governance of the employing organization, to seek to:</p> <p style="padding-left: 40px;">(i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or</p> <p style="padding-left: 40px;">(ii) Deter the commission of the non-compliance where it has not yet occurred; and</p> <p>(c) To take such further action as appropriate in the public interest.</p>	
360.5	This section sets out the approach to be taken by a professional accountant who encounters or	<p>260.3 Section 260 sets out requirements and application material regarding the approach to be taken by a professional accountant when responding to non-compliance or suspected non-compliance with:</p>	Merged with 260.1.

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	<p>is made aware of non-compliance or suspected non-compliance with:</p> <p>(a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the employing organization's financial statements; and</p> <p>(b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the employing organization's financial statements, but compliance with which may be fundamental to the operating aspects of the employing organization's business, to its ability to continue its business, or to avoid material penalties.</p>	<p>(a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the employing organization's financial statements; and</p> <p>(b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the employing organization's financial statements, but compliance with which might be fundamental to the operating aspects of the employing organization's business, to its ability to continue its business, or to avoid material penalties.</p>	
360.6	<p>Examples of laws and regulations which this section addresses include those that deal with:</p> <ul style="list-style-type: none"> • Fraud, corruption and bribery. • Money laundering, terrorist financing and proceeds of crime. • Securities markets and trading. • Banking and other financial products and services. • Data protection. • Tax and pension liabilities and payments. • Environmental protection. 	<p>260.4 A2</p> <p>Examples of laws and regulations which this section addresses include those that deal with:</p> <ul style="list-style-type: none"> • Fraud, corruption and bribery. • Money laundering, terrorist financing and proceeds of crime. • Securities markets and trading. • Banking and other financial products and services. • Data protection. • Tax and pension liabilities and payments. 	

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	<ul style="list-style-type: none"> Public health and safety. 		<ul style="list-style-type: none"> Environmental protection. Public health and safety. 	
360.7	<p>Non-compliance may result in fines, litigation or other consequences for the employing organization that may have a material effect on its financial statements. Importantly, such non-compliance may have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.</p>	260.7 A2	<p>Non-compliance might result in fines, litigation or other consequences for the employing organization, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.</p>	
360.8	<p>A professional accountant who encounters or is made aware of matters that are clearly inconsequential, judged by their nature and their impact, financial or otherwise, on the employing organization, its stakeholders and the general public, is not required to comply with this section with respect to such matters.</p>	260.7 A3	<p>A professional accountant who encounters or is made aware of matters that are clearly inconsequential is not required to comply with this section. Whether a matter is clearly inconsequential is to be judged with respect to its nature and its impact, financial or otherwise, on the employing organization, its stakeholders and the general public.</p>	
360.9	<p>This section does not address:</p>	260.7 A4	<p>This section does not address:</p>	

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	<p>(a) Personal misconduct unrelated to the business activities of the employing organization; and</p> <p>(b) Non-compliance other than by the employing organization or those charged with governance, management, or other individuals working for or under the direction of the employing organization.</p> <p>The professional accountant may nevertheless find the guidance in this section helpful in considering how to respond in these situations.</p>	<p>(a) Personal misconduct unrelated to the business activities of the employing organization; and</p> <p>(b) Non-compliance by parties other than those specified in paragraph 260.4 A1.</p> <p>The professional accountant might nevertheless find the guidance in this section helpful in considering how to respond in these situations.</p>	
360.10	<p>It is the responsibility of the employing organization's management, with the oversight of those charged with governance, to ensure that the employing organization's business activities are conducted in accordance with laws and regulations. It is also the responsibility of management and those charged with governance to identify and address any non-compliance by the employing organization or by an individual charged with governance of the entity, by a member of management, or by other individuals working for or under the direction of the employing organization.</p>	<p>260.8 A1 The employing organization's management, with the oversight of those charged with governance, is responsible for ensuring that the employing organization's business activities are conducted in accordance with laws and regulations. Management and those charged with governance are also responsible for identifying and addressing any non-compliance by:</p> <p>(a) The employing organization;</p> <p>(b) An individual charged with governance of the entity;</p> <p>(c) A member of management; or</p> <p>(d) Other individuals working for or under the direction of the employing organization.</p>	
360.11	<p>Many employing organizations have established protocols and procedures (for example, an</p>	<p>R260.9 If protocols and procedures exist within the professional accountant's employing</p>	

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	ethics policy or internal whistle-blowing mechanism) regarding how non-compliance or suspected non-compliance by the employing organization should be raised internally. Such protocols and procedures may allow for matters to be reported anonymously through designated channels. If these protocols and procedures exist within the professional accountant's employing organization, the professional accountant shall consider them in determining how to respond to such non-compliance.	organization to address non-compliance or suspected non-compliance, the accountant shall consider them in determining how to respond to such non-compliance.	
		260.9 A1 Many employing organizations have established protocols and procedures regarding how to raise non-compliance or suspected non-compliance internally. These protocols and procedures include, for example, an ethics policy or internal whistle-blowing mechanism. Such protocols and procedures might allow matters to be reported anonymously through designated channels.	

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360.12	Where a professional accountant becomes aware of a matter to which this section applies, the steps that the professional accountant takes to comply with this section shall be taken on a timely basis, having regard to the professional accountant's understanding of the nature of the matter and the potential harm to the interests of the employing organization, investors, creditors, employees or the general public.	R260.10 Where a professional accountant becomes aware of a matter to which this section applies, the steps that the accountant takes to comply with this section shall be taken on a timely basis. For the purpose of taking timely steps, the accountant shall have regard to the nature of the matter and the potential harm to the interests of the employing organization, investors, creditors, employees or the general public.	
360.13	Senior professional accountants in business ("senior professional accountants") are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources. Because of their roles, positions and spheres of influence within the employing organization, there is a greater expectation for them to take whatever action is appropriate in the public interest to respond to non-compliance or suspected non-compliance than other professional accountants within the employing organization.	260.11 A1 Senior professional accountants in business ("senior professional accountants") are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources. There is a greater expectation for them to take whatever action is appropriate in the public interest to respond to non-compliance or suspected non-compliance than other accountants within the employing organization. This is because of senior professional accountants' roles, positions and spheres of influence within the employing organization.	
360.14	If, in the course of carrying out professional activities, a senior professional accountant becomes aware of information concerning an	R260.12 If, in the course of carrying out professional activities, a senior professional accountant becomes aware of information concerning	

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	<p>instance of non-compliance or suspected non-compliance, the professional accountant shall obtain an understanding of the matter, including:</p> <ul style="list-style-type: none"> (a) The nature of the act and the circumstances in which it has occurred or may occur; (b) The application of the relevant laws and regulations to the circumstances; and (c) The potential consequences to the employing organization, investors, creditors, employees or the wider public. 	<p>an instance of non-compliance or suspected non-compliance, the accountant shall obtain an understanding of the matter. This understanding shall include:</p> <ul style="list-style-type: none"> (a) The nature of the act and the circumstances in which it has occurred or might occur; (b) The application of the relevant laws and regulations to the circumstances; and (c) The potential consequences to the employing organization, investors, creditors, employees or the wider public. 	
360.15	<p>A senior professional accountant is expected to apply knowledge, professional judgment and expertise, but is not expected to have a level of understanding of laws and regulations beyond that which is required for the professional accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.. ...</p>	260.12 A1 A senior professional accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.	
	<p>... Depending on the nature and significance of the matter, the professional accountant may cause, or take appropriate steps to cause, the matter to be investigated internally. The</p>	260.12 A2 Depending on the nature and significance of the matter, the senior professional accountant might cause, or take appropriate steps to cause, the matter to be investigated	

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	professional accountant may also consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.	internally. The accountant might also consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.	
360.16	If the senior professional accountant suspects that non-compliance has occurred or may occur, the professional accountant shall, subject to paragraph 360.11, discuss the matter with the professional accountant's immediate superior, if any, to enable a determination to be made as to how the matter should be addressed. If the professional accountant's immediate superior appears to be involved in the matter, the professional accountant shall discuss the matter with the next higher level of authority within the employing organization.	R260.13 If the senior professional accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to paragraph R260.9, discuss the matter with the accountant's immediate superior, if any. If the accountant's immediate superior appears to be involved in the matter, the accountant shall discuss the matter with the next higher level of authority within the employing organization.	
		260.13 A1 The purpose of the discussion is to enable a determination to be made as to how to address the matter.	
360.17	The senior professional accountant shall also take appropriate steps to: (a) Have the matter communicated to those charged with governance to obtain their concurrence regarding appropriate actions to take to respond to the matter and to enable them to fulfill their responsibilities; (b) Comply with applicable laws and regulations, including legal or regulatory	R260.14 The senior professional accountant shall also take appropriate steps to: (a) Have the matter communicated to those charged with governance; (b) Comply with applicable laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority;	

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	<p>provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority;</p> <p>(c) Have the consequences of the non-compliance or suspected non-compliance rectified, remediated or mitigated;</p> <p>(d) Reduce the risk of re-occurrence; and</p> <p>(e) Seek to deter the commission of the non-compliance if it has not yet occurred.</p>	<p>(c) Have the consequences of the non-compliance or suspected non-compliance rectified, remediated or mitigated;</p> <p>(d) Reduce the risk of re-occurrence; and</p> <p>(e) Seek to deter the commission of the non-compliance if it has not yet occurred.</p>	
		260.14 A1 The purpose of communicating the matter to those charged with governance is to obtain their concurrence regarding appropriate actions to take to respond to the matter and to enable them to fulfill their responsibilities.	
360.18	In addition to responding to the matter in accordance with the provisions of this section, the senior professional accountant shall determine whether disclosure of the matter to the employing organization's external auditor, if any, is needed pursuant to the professional accountant's duty or legal obligation to provide all information necessary to enable the auditor to perform the audit.	R260.15 In addition to responding to the matter in accordance with the provisions of this section, the senior professional accountant shall determine whether disclosure of the matter to the employing organization's external auditor, if any, is needed.	
		260.15 A1 Such disclosure would be pursuant to the senior professional accountant's duty or legal obligation to provide all information necessary to enable the auditor to perform the audit.	

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360.19	The senior professional accountant shall assess the appropriateness of the response of the professional accountant's superiors, if any, and those charged with governance.	R260.16	The senior professional accountant shall assess the appropriateness of the response of the accountant's superiors, if any, and those charged with governance.	
360.20	Relevant factors to consider in assessing the appropriateness of the response of the senior professional accountant's superiors, if any, and those charged with governance include whether: <ul style="list-style-type: none"> • The response is timely. • They have taken or authorized appropriate action to seek to rectify, remediate or mitigate the consequences of the non-compliance, or to avert the non-compliance if it has not yet occurred. • The matter has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate. 	260.16 A1	Relevant factors to consider in assessing the appropriateness of the response of the senior professional accountant's superiors, if any, and those charged with governance include whether: <ul style="list-style-type: none"> • The response is timely. • They have taken or authorized appropriate action to seek to rectify, remediate or mitigate the consequences of the non-compliance, or to avert the non-compliance if it has not yet occurred. • The matter has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate. 	
360.21	In light of the response of the senior professional accountant's superiors, if any, and those charged with governance, the professional accountant shall determine if further action is needed in the public interest.	R260.17	In light of the response of the senior professional accountant's superiors, if any, and those charged with governance, the accountant shall determine if further action is needed in the public interest.	
360.22	The determination of whether further action is needed, and the nature and extent of it, will depend on various factors, including:	260.17 A1	The determination of whether further action is needed, and the nature and extent of it, will depend on various factors, including:	

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	<ul style="list-style-type: none"> • The legal and regulatory framework. • The urgency of the matter. • The pervasiveness of the matter throughout the employing organization. • Whether the senior professional accountant continues to have confidence in the integrity of the professional accountant's superiors and those charged with governance. • Whether the non-compliance or suspected non-compliance is likely to recur. • Whether there is credible evidence of actual or potential substantial harm to the interests of the employing organization, investors, creditors, employees or the general public. 	<ul style="list-style-type: none"> • The legal and regulatory framework. • The urgency of the situation. • The pervasiveness of the matter throughout the employing organization. • Whether the senior professional accountant continues to have confidence in the integrity of the accountant's superiors and those charged with governance. • Whether the non-compliance or suspected non-compliance is likely to recur. • Whether there is credible evidence of actual or potential substantial harm to the interests of the employing organization, investors, creditors, employees or the general public. 	
360.23	<p>Examples of circumstances that may cause the senior professional accountant no longer to have confidence in the integrity of the professional accountant's superiors and those charged with governance include situations where:</p> <ul style="list-style-type: none"> • The professional accountant suspects or has evidence of their involvement or intended involvement in any non-compliance. 	<p>260.17 A2 Examples of circumstances that might cause the senior professional accountant no longer to have confidence in the integrity of the accountant's superiors and those charged with governance include situations where:</p> <ul style="list-style-type: none"> • The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance. • Contrary to legal or regulatory requirements, they have not reported, 	

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	<ul style="list-style-type: none"> Contrary to legal or regulatory requirements, they have not reported the matter, or authorized the matter to be reported, to an appropriate authority within a reasonable period. 	<p style="text-align: center;">or authorized the reporting of, the matter to an appropriate authority within a reasonable period</p>	
360.24	In determining the need for, and nature and extent of any further action needed, the senior professional accountant shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the professional accountant has acted appropriately in the public interest.	R260.18 The senior professional accountant shall exercise professional judgment in determining the need for, and nature and extent of, further action. In making this determination, the accountant shall take into account whether a reasonable and informed third party would be likely to conclude that the accountant has acted appropriately in the public interest.	
360.25	<p>Further action by the professional accountant may include:</p> <ul style="list-style-type: none"> Informing the management of the parent entity of the matter if the employing organization is a member of a group. Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so. Resigning from the employing organization. 	<p>260.18 A1 Further action that the senior professional accountant might take includes:</p> <ul style="list-style-type: none"> Informing the management of the parent entity of the matter if the employing organization is a member of a group. Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so. Resigning from the employing organization. 	
360.26	Where the senior professional accountant determines that resigning from the employing	260.18 A2 Resigning from the employing organization is not a substitute for taking other actions	

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	organization would be appropriate, doing so would not be a substitute for taking other actions that may be needed to achieve the professional accountant's objectives under this section. In some jurisdictions, however, there may be limitations as to the further actions available to the professional accountant and resignation may be the only available course of action.	that might be needed to achieve the senior professional accountant's objectives under this section. In some jurisdictions, however, there might be limitations as to the further actions available to the accountant. In such circumstances, resignation might be the only available course of action.	
360.27	As consideration of the matter may involve complex analysis and judgments, the senior professional accountant may consider consulting internally, obtaining legal advice to understand the professional accountant's options and the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or professional body.	260.19 A1 As consideration of the matter might involve complex analysis and judgments, the senior professional accountant might consider: <ul style="list-style-type: none"> • Consulting internally. • Obtaining legal advice to understand the accountant's options and the professional or legal implications of taking any particular course of action. • Consulting on a confidential basis with a regulator or professional body. 	
360.28	Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.	260.20 A1 Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.	
360.29	The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or may be caused by the matter to investors,	260.20 A2 The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or might be caused by the	

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<p>creditors, employees or the general public. For example, the senior professional accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:</p> <ul style="list-style-type: none"> • The employing organization is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts). • The employing organization is a regulated entity and the matter is of such significance as to threaten its license to operate. • The employing organization is listed on a securities exchange and the matter could result in adverse consequences to the fair and orderly market in the employing organization's securities or pose a systemic risk to the financial markets. • Products that are harmful to public health or safety would likely be sold by the employing organization. • The employing organization is promoting a scheme to its clients to assist them in evading taxes. 	<p>matter to investors, creditors, employees or the general public. For example, the senior professional accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:</p> <ul style="list-style-type: none"> • The employing organization is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts). • The employing organization is regulated and the matter is of such significance as to threaten its license to operate. • The employing organization is listed on a securities exchange and the matter might result in adverse consequences to the fair and orderly market in the employing organization's securities or pose a systemic risk to the financial markets. • It is likely that the employing organization would sell products that are harmful to public health or safety. • The employing organization is promoting a scheme to its clients to assist them in evading taxes. 	

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	<p>The determination of whether to make such a disclosure will also depend on external factors such as:</p> <ul style="list-style-type: none"> • Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend upon the nature of the matter, for example, a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations. • Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation. • Whether there are actual or potential threats to the physical safety of the professional accountant or other individuals. 	260.20 A3	<p>The determination of whether to make such a disclosure will also depend on external factors such as:</p> <ul style="list-style-type: none"> • Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend upon the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations. • Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation. • Whether there are actual or potential threats to the physical safety of the senior professional accountant or other individuals. 	
360.30	<p>If the senior professional accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, this will not be considered a breach of the duty of confidentiality under</p>	R260.21	<p>If the senior professional accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, this is not a breach of the duty of confidentiality</p>	

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	Section 140 of this Code. When making such disclosure, the professional accountant shall act in good faith and exercise caution when making statements and assertions.		under Subsection 114 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.	
360.31	In exceptional circumstances, the senior professional accountant may become aware of actual or intended conduct that the professional accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the professional accountant shall exercise professional judgment and may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. Such disclosure will not be considered a breach of the duty of confidentiality under Section 140 of this Code.	R260.22	In exceptional circumstances, the senior professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. In these circumstances, the accountant shall exercise professional judgment and may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. Such disclosure is not a breach of the duty of confidentiality under Subsection 114 of the Code.	
		260.22 A1	Prior to deciding whether to disclose the matter to an appropriate authority immediately, the professional accountant might consider whether it would be appropriate to discuss the matter with management or those charged with governance of the employing organization.	
360.32	In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the senior professional accountant is	260.23 A1	In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the senior professional	

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	<p>encouraged to have the following matters documented:</p> <ul style="list-style-type: none"> • The matter. • The results of discussions with the professional accountant's superiors, if any, and those charged with governance and other parties. • How the professional accountant's superiors, if any, and those charged with governance have responded to the matter. • The courses of action the professional accountant considered, the judgments made and the decisions that were taken. • How the professional accountant is satisfied that the professional accountant has fulfilled the responsibility set out in paragraph 360.21. 		<p>accountant is encouraged to have the following matters documented:</p> <ul style="list-style-type: none"> • The matter. • The results of discussions with the accountant's superiors, if any, and those charged with governance and other parties. • How the accountant's superiors, if any, and those charged with governance have responded to the matter. • The courses of action the accountant considered, the judgments made and the decisions that were taken. • How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R260.17. 	
360.33	<p>If, in the course of carrying out professional activities, a professional accountant becomes aware of information concerning an instance of non-compliance or suspected non-compliance, the professional accountant shall seek to obtain an understanding of the matter, including the nature of the act and the circumstances in which it has occurred or may occur.</p>	R260.24	<p>If, in the course of carrying out professional activities, a professional accountant becomes aware of information concerning an instance of non-compliance or suspected non-compliance, the accountant shall seek to obtain an understanding of the matter. This understanding shall include the nature of the act and the circumstances in which it has occurred or might occur.</p>	
360.34	<p>The professional accountant is expected to apply knowledge, professional judgment and</p>	260.24 A1	<p>The professional accountant is expected to apply knowledge and expertise, and exercise</p>	

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	<p>expertise, but is not expected to have a level of understanding of laws and regulations beyond that which is required for the professional accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body. Depending on the nature and significance of the matter, the professional accountant may consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.</p>	<p>professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.</p> <p>260.24 A2 Depending on the nature and significance of the matter, the professional accountant might consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.</p>	
360.35	<p>If the professional accountant identifies or suspects that non-compliance has occurred or may occur, the professional accountant shall, subject to paragraph 360.11, inform an immediate superior to enable the superior to take appropriate action. If the professional accountant's immediate superior appears to be involved in the matter, the professional accountant shall inform the next higher level of authority within the employing organization.</p>	<p>R260.25 If the professional accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to paragraph R260.9, inform an immediate superior to enable the superior to take appropriate action. If the accountant's immediate superior appears to be involved in the matter, the accountant shall inform the next higher level of authority within the employing organization.</p>	
360.36	<p>In exceptional circumstances, the professional accountant may decide that disclosure of the matter to an appropriate authority is an appropriate course of action. If the professional accountant does so pursuant to paragraph 360.29, this will not be considered a breach of</p>	<p>R260.26 In exceptional circumstances, the professional accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action. If the accountant does so pursuant to paragraphs 260.20 A2 and A3, this is not a</p>	

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	the duty of confidentiality under Section 140 of this Code. When making such disclosure, the professional accountant shall act in good faith and exercise caution when making statements and assertions.	breach of the duty of confidentiality under Subsection 114 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.	
360.37	<p>Where the professional accountant concludes that an identified or suspected act of non-compliance is a significant matter, the professional accountant is encouraged to document:</p> <ul style="list-style-type: none"> • The matter. • The results of discussions with the professional accountant's superior, management and, where applicable, those charged with governance and other parties. • How the professional accountant's superior has responded to the matter. • The courses of action the professional accountant considered, the judgments made and the decisions that were taken. 	<p>260.27 A1 In relation to an identified or suspected act of non-compliance that falls within the scope of this section, the professional accountant is encouraged to have the following matters documented:</p> <ul style="list-style-type: none"> • The matter. • The results of discussions with the accountant's superior, management and, where applicable, those charged with governance and other parties. • How the accountant's superior has responded to the matter. • The courses of action the accountant considered, the judgments made and the decisions that were taken. 	

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Section 270 Pressure to Breach the Fundamental Principles				
		270.1	Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats created by pressure.	New introductory material.
370.1	This section addresses pressures that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.	270.2	Pressure, whether exerted on, or by an accountant, might create threats to compliance with the fundamental principles.	
		270.3	Section 270 sets out specific requirements and application material relevant to applying the conceptual framework when addressing pressure.	
370.2	A professional accountant in business may face pressure that could create threats, for example, intimidation threats, to compliance with the fundamental principles when undertaking a professional activity. Pressure may be explicit or implicit. Pressure may come from within the organization, for example, from a colleague or superior, from an external individual or organization such as a vendor, customer or lender, or from meeting internal or external targets and expectations.	R270.4	A professional accountant shall not: <ul style="list-style-type: none"> (a) Allow pressure from others to result in a breach of compliance with the fundamental principles. (b) Place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles. 	
	The professional accountant shall not allow pressure from others to result in a breach of the fundamental principles. The professional accountant also shall not place pressure on others that the professional accountant knows,	270.4 A1	A professional accountant might face pressure that creates threats to compliance with the fundamental principles, for example intimidation threats, when undertaking a professional activity.	

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	or has reason to believe, would result in the other individuals breaching the fundamental principles.	<p>Pressure might be explicit or implicit and might come from:</p> <ul style="list-style-type: none"> • Within the organization, for example, from a colleague or superior. • An external individual or organization such as a vendor, customer or lender. • Internal or external targets and expectations. 	
370.3	<p>Examples of pressure that could result in a breach of the fundamental principles include:</p> <ul style="list-style-type: none"> • Pressure related to conflicts of interest: <ul style="list-style-type: none"> ○ Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor. <p>The guidance in Section 310 is relevant.</p> • Pressure to influence presentation of information: <ul style="list-style-type: none"> ○ Pressure to report misleading financial results to meet investor, analyst or lender expectations. ○ Pressure from elected officials on public sector accountants to 	<p>270.4 A2</p> <p>Examples of pressure that might result in a threat to compliance with the fundamental principles include:</p> <ul style="list-style-type: none"> • Pressure related to conflicts of interest: <ul style="list-style-type: none"> ○ Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor. <p>See also Section 210 – Conflicts of Interest.</p> <ul style="list-style-type: none"> • Pressure to influence preparation or presentation of information: <ul style="list-style-type: none"> ○ Pressure to report misleading financial results to meet investor, analyst or lender expectations. ○ Pressure from elected officials on public sector accountants to 	<p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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<p>misrepresent programs or projects to voters.</p> <ul style="list-style-type: none"> ○ Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions. ○ Pressure from superiors to approve or process expenditures that are not legitimate business expenses. ○ Pressure to suppress internal audit reports containing adverse findings. <p>The guidance in Section 320 is relevant.</p> <ul style="list-style-type: none"> ● Pressure to act without sufficient expertise or due care: <ul style="list-style-type: none"> ○ Pressure from superiors to inappropriately reduce the extent of work performed. ○ Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines. <p>The guidance in Section 330 is relevant.</p> ● Pressure related to financial interests: <ul style="list-style-type: none"> ○ Pressure to manipulate performance indicators from 	<p>misrepresent programs or projects to voters.</p> <ul style="list-style-type: none"> ○ Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions. ○ Pressure from superiors to approve or process expenditures that are not legitimate business expenses. ○ Pressure to suppress internal audit reports containing adverse findings. <p>See also Section 220 – Preparation and Presentation of Information.</p> <ul style="list-style-type: none"> ● Pressure to act without sufficient expertise or due care: <ul style="list-style-type: none"> ○ Pressure from superiors to inappropriately reduce the extent of work performed. ○ Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines. <p>See also Section 230 – Acting with Sufficient Expertise.</p> ● Pressure related to financial interests: 	

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<p>superiors, colleagues or others, for example, those who may benefit from participation in compensation or incentive arrangements.</p> <p>The guidance in Section 340 is relevant.</p> <ul style="list-style-type: none"> • Pressure related to inducements: <ul style="list-style-type: none"> ○ Pressure from others, either internal or external to the employing organization, to offer inducements to inappropriately influence the judgment or decision-making process of an individual or organization. ○ Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process. <p>The guidance in Section 350 is relevant.</p> <ul style="list-style-type: none"> • Pressure related to non-compliance with laws and regulations: <ul style="list-style-type: none"> ○ Pressure to structure a transaction to evade tax. <p>The guidance in Section 360 is relevant.</p>	<ul style="list-style-type: none"> ○ Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements. <p>See also Section 240 – Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making.</p> <ul style="list-style-type: none"> • Pressure related to inducements: <ul style="list-style-type: none"> ○ Pressure from others, either internal or external to the organization, to offer inducements to influence inappropriately the judgment or decision making process of an individual or organization. ○ Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process. <p>See also Section 250 - Inducements.</p> <ul style="list-style-type: none"> • Pressure related to non-compliance with laws and regulations: <ul style="list-style-type: none"> ○ Pressure to structure a transaction to evade tax. 	

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			See also Section 260 – Responding to Non-Compliance with Laws and Regulations.	
370.4	<p>In determining whether the pressure could result in a breach of the fundamental principles, the professional accountant may consider factors including:</p> <ul style="list-style-type: none"> • The intent of the individual who is exerting the pressure and the nature and significance of the pressure. • The application of relevant laws, regulations, and professional standards to the circumstances. • The culture and leadership of the employing organization including the extent to which it emphasizes the importance of ethical behavior and the expectation that employees will act in an ethical manner. For example, a corporate culture that tolerates unethical behavior may increase the likelihood that the pressure would result in a breach of the fundamental principles. • Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure. <p>In considering these and other factors, and being alert to the fundamental principle of</p>	270.4 A3	<p>Factors that are relevant in evaluating the level of threats created by pressure include:</p> <ul style="list-style-type: none"> • The intent of the individual who is exerting the pressure and the nature and extent of the pressure. • The application of laws, regulations, and professional standards to the circumstances. • The culture and leadership of the employing organization including the extent to which they reflect or emphasize the importance of ethical behavior and the expectation that employees will act ethically. For example, a corporate culture that tolerates unethical behavior might increase the likelihood that the pressure would result in a threat to compliance with the fundamental principles. • Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure. 	Conforming amendments arising from safeguards project. See Safeguards ED-2.
		270.4 A4	Consultation with:	

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<p>confidentiality, the professional accountant in business may consult with:</p> <ul style="list-style-type: none"> • A colleague, superior, human resources personnel, or another professional accountant; • Relevant professional or regulatory bodies or industry associations; or • Legal counsel. 	<ul style="list-style-type: none"> • A colleague, superior, human resources personnel, or another professional accountant; • Relevant professional or regulatory bodies or industry associations; or • Legal counsel <p>might assist the professional accountant understand the factors that are relevant in evaluating the level of the threat.</p> <p>The principle of confidentiality applies in communications with external parties.</p>	
<p>370.5</p> <p>If the professional accountant determines that the pressure would result in a breach of the fundamental principles, the professional accountant may consider actions, including:</p> <ul style="list-style-type: none"> • Discussing the matter with the individual who is exerting the pressure to seek to resolve it. • Discussing the matter with the professional accountant's supervisor, if the supervisor is not the individual exerting the pressure. • Escalating the matter within the employing organization, for example, with higher levels of management, internal or external auditors, or those charged with governance, including independent directors and, when appropriate, 	<p>270.4 A5</p> <p>Discussions and consultations with others about the circumstances creating the pressure might assist the professional accountant to evaluate the level of the threat. These might include:</p> <ul style="list-style-type: none"> • A discussion about the matter with the individual who is exerting the pressure to seek to resolve the matter. • A discussion about the matter with the professional accountant's supervisor, if the supervisor is not the individual exerting the pressure. • An escalation of the matter within the employing organization, including when appropriate, an explanation of any consequential risks to the organization, for example with: 	<p>Introductory paragraph covered by conceptual framework language.</p> <p>Conforming amendments arising from safeguards project. See Safeguards ED-2.</p>

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<p>explaining any consequential risks to the organization.</p> <ul style="list-style-type: none"> • Requesting restructuring or segregating certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting the pressure, where doing so would eliminate the pressure to breach the fundamental principles. For example, if a professional accountant is pressured in relation to a conflict of interest, the pressure to breach the fundamental principles may be eliminated if the professional accountant avoids being associated with the matter creating the conflict. • Disclosing the matter in accordance with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline. • Consulting with legal counsel. 	<ul style="list-style-type: none"> ○ Higher levels of management. ○ Internal or external auditors. ○ Those charged with governance. • A disclosure about the matter in line with the organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline. • A consultation with legal counsel about the specific matter. <p>270.4 A6 An action that might eliminate a threat created by pressure is the professional accountant's request for a restructure of, or segregation of certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure. This might be appropriate only when doing so would address the threat created by the pressure. For example, if the accountant is pressured in relation to a conflict of interest, the threat to compliance with the fundamental principle created by the pressure might be addressed when the accountant avoids being associated with the matter creating the conflict.</p>	

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370.6	<p>In situations where the professional accountant determines that the pressure to breach the fundamental principles has not been eliminated, the professional accountant shall:</p> <ul style="list-style-type: none"> • Decline to undertake or discontinue the professional activity that would result in a breach of the fundamental principles; and • Consider resigning from the employing organization. 	R270.5	<p>If the professional accountant identifies and determines that the threat created by pressure is not at an acceptable level, the accountant shall address that threat by:</p> <ul style="list-style-type: none"> (a) Eliminating the circumstances, interests or relationships, that are creating the threats; including resigning from the employing organization; (b) Applying safeguards, where available or capable of being applied; or (c) Declining or ending the specific professional activity. 	Conforming amendment arising from safeguards project. See Safeguards ED-2.
	<p>The professional accountant is also encouraged to document the facts, the communications, the courses of action considered, the parties with whom these matters were discussed, and how the matter was addressed.</p>	270.5 A1	<p>The professional accountant is also encouraged to document:</p> <ul style="list-style-type: none"> • The facts. • The communications. • The courses of action considered. • The parties with whom these matters were discussed. • How the matter was addressed. 	

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GLOSSARY^f

Item	Extant Code	Restructured Code	Comments
	Definitions	Glossary	
	In this <i>Code of Ethics for Professional Accountants</i> , the following expressions have the following meanings assigned to them.	In the <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> , the singular shall be construed as including the plural as well as the reverse, and the following expressions have the following meanings assigned to them. In this Glossary, defined terms are shown in regular font and italics are used for described terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms. References are also provided to terms described in the Code.	Additional sentence regarding use of singular and plural.
Acceptable level*	A level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.	An acceptable level is a level at which a professional accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.	

^f Most of the definitions and descriptions in this Glossary were brought forward from the extant Code. However, the definitions and descriptions with:

- One asterisk “*” were developed revised as part of Phase 1 of the Safeguards project.
- Two asterisks “**” have been brought forward to the Glossary from the body of the Code. When applicable, those definitions and descriptions include a comment box referring readers to the relevant material in the extant Code.

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Advertising	The communication to the public of information as to the services or skills provided by professional accountants in public practice with a view to procuring professional business.	The communication to the public of information as to the services or skills provided by professional accountants in public practice with a view to procuring professional business.	
Assurance client	<p>The responsible party that is the person (or persons) who:</p> <p>(a) In a direct reporting engagement, is responsible for the subject matter; or</p> <p>(b) In an assertion-based engagement, is responsible for the subject matter information and may be responsible for the subject matter.</p>	<p>The responsible party that is the person (or persons) who:</p> <p>(a) In a direct reporting engagement, is responsible for the subject matter; or</p> <p>(b) In an assertion-based engagement, is responsible for the subject matter information and might be responsible for the subject matter.</p>	
Assurance engagement	<p>An engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.</p> <p>(For guidance on assurance engagements see the International Framework for Assurance</p>	<p>An engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.</p> <p>(For guidance on assurance engagements, see the <i>International Framework for Assurance Engagements</i> issued by the International Auditing and Assurance Standards Board. The <i>International Framework for Assurance Engagements</i> describes the elements and objectives of an assurance engagement and identifies</p>	

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	Engagements issued by the International Auditing and Assurance Standards Board which describes the elements and objectives of an assurance engagement and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply.)	engagements to which <i>International Standards on Auditing (ISAs)</i> , <i>International Standards on Review Engagements (ISREs)</i> and <i>International Standards on Assurance Engagements (ISAEs)</i> apply.)	
Assurance team	<ul style="list-style-type: none"> (a) All members of the engagement team for the assurance engagement; (b) All others within a firm who can directly influence the outcome of the assurance engagement, including: <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement; (ii) Those who provide consultation regarding 	<ul style="list-style-type: none"> (a) All members of the engagement team for the assurance engagement; (b) All others within a firm who can directly influence the outcome of the assurance engagement, including: <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement; (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and (iii) Those who provide quality control for the assurance engagement, including those 	

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	<p style="text-align: center;">technical or industry specific issues, transactions or events for the assurance engagement; and</p> <p style="text-align: center;">(iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.</p>	<p style="text-align: center;">who perform the engagement quality control review for the assurance engagement.</p>	
Audit**		<i>In Part 4A, the term “audit” also refers to “review.”</i>	No equivalent in the extant Code definitions section. New material. From 290.3.
Audit client	An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control.	<p>An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. <i>(See also R400.20).</i></p> <p><i>In Part 4A, the term “audit client” also refers to “review client.”</i></p>	No equivalent in extant Code definitions section.

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			New material. From 290.3.
Audit engagement	A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.	A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with <i>International Standards on Auditing</i> . This includes a Statutory Audit, which is an audit required by legislation or other regulation.	
		<i>In Part 4A, the term “audit engagement” also refers to “review engagement.”</i>	No equivalent in extant Code definitions section. New material. From 290.3.
Audit report**		<i>In Part 4A, the term “audit report” also refers to “review report.”</i>	No equivalent in the extant Code definitions section. New material. From 290.3.
Audit team	<p>(a) All members of the engagement team for the audit engagement;</p> <p>(b) All others within a firm who can directly influence the outcome</p>	<p>(a) All members of the engagement team for the audit engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the audit engagement, including:</p>	

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	<p>of the audit engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the</p>	<p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Chief Executive (Senior or Managing Partner or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the audit engagement.</p> <p><i>In Part 4A, the term "audit team" also refers to "review team."</i></p>	

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	<p style="text-align: center;">engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the audit engagement.</p>		
Close family	A parent, child or sibling who is not an immediate family member.	A parent, child or sibling who is not an immediate family member.	
Conceptual Framework		<i>This term is described in Section 120.</i>	
Contingent fee	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.	
Cooling-off period**		<i>This term is described in paragraph R540.6 for the purposes of paragraphs R540.10 to R540.19 A1.</i>	
Direct financial interest	<p>A financial interest:</p> <p>(a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or</p>	<p>A financial interest:</p> <p>(a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or</p> <p>(b) Beneficially owned through a collective investment vehicle, estate, trust or other</p>	

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	(b) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.	intermediary over which the individual or entity has control, or the ability to influence investment decisions.	
Director or officer	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which may vary from jurisdiction to jurisdiction.	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which might vary from jurisdiction to jurisdiction.	
Eligible audit engagement**		<i>This term is described in paragraph R800.3 for the purposes of Section 800.</i>	This is a new described term.
Eligible assurance engagement**		<i>This term is described in paragraph R999.3 for the purposes of Section 999.</i>	This is a new described term.
Engagement partner	The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.	The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.	
Engagement Period**		The engagement period starts when the audit team begins to perform audit services. The engagement	New defined term from 290.30. A

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(Audit and Review)		period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.	further definition will be prepared when Independence for Assurance Engagements is restructured.
Engagement Period** (Other Assurance Engagements)		The engagement period starts when the assurance team begins to perform assurance services. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.	
Engagement quality control review	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.	
Engagement team	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm. The term “engagement team” also excludes individuals within the client’s	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm. The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA	

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	internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), Using the Work of Internal Auditors.	610 (Revised 2013), <i>Using the Work of Internal Auditors</i> .	
Existing accountant	A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar professional services for a client.	A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar professional services for a client.	
External expert	An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.	An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.	

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Financial interest	An 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.	An 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.	
Financial statements	A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.	A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.	
Financial statements on which the firm will express an opinion	In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group	In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.	

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	financial statements, the consolidated financial statements.		
Firm	<p>(a) A sole practitioner, partnership or corporation of professional accountants;</p> <p>(b) An entity that controls such parties, through ownership, management or other means; and</p> <p>(c) An entity controlled by such parties, through ownership, management or other means.</p>	<p>(a) A sole practitioner, partnership or corporation of professional accountants;</p> <p>(b) An entity that controls such parties, through ownership, management or other means; and</p> <p>(c) An entity controlled by such parties, through ownership, management or other means.</p> <p><i>Paragraphs 400.4 and 900.3 explain how the word “firm” is used to address the responsibility of professional accountants and firms for compliance with Parts 4A and 4B, respectively.</i></p>	
Fundamental Principles		<p><i>These terms are described in paragraphs:</i></p> <p><i>Integrity – R111.1</i></p> <p><i>Objectivity – R112.1</i></p> <p><i>Professional competence and due care – R113.1</i></p> <p><i>Confidentiality – R114.1</i></p> <p><i>Professional behavior – R115.1</i></p>	This is new cross-referencing text.
Historical financial information	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.	

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	circumstances at points in time in the past.		
Immediate family	A spouse (or equivalent) or dependent.	A spouse (or equivalent) or dependent.	
Independence	<p>Independence is:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm’s, or a member of the audit or assurance team’s, integrity, objectivity or professional skepticism has been compromised.</p>	<p>Independence comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s or an audit or assurance team member’s, integrity, objectivity or professional skepticism has been compromised.</p> <p><i>As set out in paragraphs 400.5 and 900.4, references to an individual or firm being “independent” mean that the individual or firm has complied with Parts 4A and 4B, as applicable.</i></p>	

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Indirect financial interest	A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.	A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.	
Key audit partner	The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" may include, for example, audit partners responsible for significant subsidiaries or divisions.	The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" might include, for example, audit partners responsible for significant subsidiaries or divisions.	
Listed entity	An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.	An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.	
May**		<i>This term is used in the Code to denote permission to take a particular action in certain circumstances,</i>	

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		<i>including as an exception to a requirement.</i>	
Might**		<i>This term is used in the Code to denote the possibility of a matter arising, an event occurring or a course of action being taken.</i>	
Network	<p>A larger structure:</p> <p>(a) That is aimed at co-operation; and</p> <p>(b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.</p>	<p>A larger structure:</p> <p>(a) That is aimed at co-operation; and</p> <p>(b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.</p>	
Network firm	A firm or entity that belongs to a network.	<p>A firm or entity that belongs to a network.</p> <p><i>For further information see paragraphs 400.50 A1 to 400.54 A1.</i></p>	
Non-compliance with laws and regulations (Professional Accountants in Business)**		Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:	

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		<ul style="list-style-type: none"> (a) The professional accountant's employing organization; (b) Those charged with governance of the employing organization; (c) Management of the employing organization; or (d) Other individuals working for or under the direction of the employing organization. 	
<p>Non-compliance with laws and regulations (Professional Accountants in Public Practice)**</p>		<p>Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</p> <ul style="list-style-type: none"> (a) A client; (b) Those charged with governance of a client; (c) Management of a client; or (d) Other individuals working for or under the direction of a client. 	
Office	A distinct sub-group, whether organized on geographical or practice lines.	A distinct sub-group, whether organized on geographical or practice lines.	
Predecessor accountant**		A professional accountant in public practice who most recently held an audit appointment or carried out accounting, taxation, consulting or similar professional services for a client, where there is no existing accountant.	

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Professional accountant	An individual who is a member of an IFAC member body.	<p>An individual who is a member of an IFAC member body.</p> <p><i>In Part 1, the term “professional accountant” refers to professional accountants in business and to professional accountants in public practice and their firms.</i></p> <p><i>In Part 2, the term “professional accountant” refers to professional accountants in business.</i></p> <p><i>In Parts 3, 4A and 4B, the term “professional accountant” refers to professional accountants in public practice and their firms.</i></p>	No equivalent in the current definitions section.
Professional accountant in business	A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.	A professional accountant working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.	
Professional accountant in public practice	A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.	<p>A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services.</p> <p><i>This term is also used to refer to a firm of professional accountants in public practice.</i></p>	

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Professional activity	An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, taxation, management consulting, and financial management.	An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, taxation, management consulting, and financial management.	
Professional services	Professional activities performed for clients.	Professional activities performed for clients.	
Proposed accountant ^{†**}		A professional accountant in public practice who is considering accepting an audit appointment or an engagement to perform accounting, taxation, consulting or similar professional services for a prospective client (or in some cases, an existing client).	
Public interest entity	<ul style="list-style-type: none"> (a) A listed entity; and (b) An entity: <ul style="list-style-type: none"> (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to 	<ul style="list-style-type: none"> (a) A listed entity; or (b) An entity: <ul style="list-style-type: none"> (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator. 	

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	<p>the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.</p>	<p><i>Other entities might also be considered to be public interest entities, as set out in paragraph 400.8</i></p>	
<p>Reasonable and Informed Third Party* Reasonable and Informed Third Party Test*</p>		<p><i>The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.</i></p>	
<p>Related entity</p>	<p>An entity that has any of the following relationships with the client:</p> <ul style="list-style-type: none"> (a) An entity that has direct or indirect control over the client if the client is material to such entity; (b) An entity with a direct financial interest in the client if that entity has significant influence over 	<p>An entity that has any of the following relationships with the client:</p> <ul style="list-style-type: none"> (a) An entity that has direct or indirect control over the client if the client is material to such entity; (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; (c) An entity over which the client has direct or 	

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	<p>the client and the interest in the client is material to such entity;</p> <p>(c) An entity over which the client has direct or indirect control;</p> <p>(d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</p> <p>(e) An entity which is under common control with the client (a "sister entity") if the sister entity and the client are both material to the entity that controls both the client and sister entity.</p>	<p>indirect control;</p> <p>(d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</p> <p>(e) An entity which is under common control with the client (a "sister entity") if the sister entity and the client are both material to the entity that controls both the client and sister entity.</p>	
Review client	An entity in respect of which a firm conducts a review engagement.	An entity in respect of which a firm conducts a review engagement.	
Review engagement	An assurance engagement, conducted in accordance with International Standards on Review Engagements or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide	An assurance engagement, conducted in accordance with <i>International Standards on Review Engagements</i> or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant's attention that causes the	

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	<p>all the evidence that would be required in an audit, anything has come to the accountant's attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.</p>	<p>accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.</p>	
Review team	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within a firm who can directly influence the outcome of the review engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or</p>	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within a firm who can directly influence the outcome of the review engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm's Chief Executive (Senior or Managing Partner or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the</p>	

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	<p>Managing Partner (Chief Executive or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the review engagement.</p>	<p>engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the review engagement.</p>	
Safeguards*		<p><i>Safeguards are actions, individually or in combination, that the professional accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.</i></p>	
Senior Professional Accountant in Business**		<p><i>Senior professional accountants in business are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial,</i></p>	

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		<i>technological, physical and intangible resources.</i>	
Substantial harm**		<i>This term is described in paragraphs 260.7 A2 and 360.7 A2.</i>	
Special purpose financial statements	Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.	Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.	
Those charged with governance	The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.	The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.	
Threats**		<p><i>These terms are described throughout the Code, including in paragraphs:</i></p> <p><i>Self Interest</i> 120.5 A3(a)</p> <p><i>Self-review</i> 120.5 A3(b)</p>	This is new cross-referencing text.

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		<i>Advocacy</i> 120.6 A3(c) <i>Familiarity</i> 120.6 A3(d) <i>Intimidation</i> 120.6 A3(e)	