

Structure of the Code Phase 2 – Mapping Tables of Comparison

Proposed Sections 800¹ and Part 4B²

Note to Meeting Participants

1. This mapping tables below compares:
 - (a) Extant material for independence requirements and application material that is applicable for engagements where the report includes a restriction on use and distribution³ to the Task Force's proposals for Section 800 as set out in Section I of **Agenda Item 3-D**.
 - (b) Extant independence requirements and application material pertaining to other assurance engagements,⁴ except for extant provisions related to:
 - (i) Long Association (LA) of senior personnel with an assurance client;⁵ and
 - (ii) Providing non-assurance services to an assurance client.⁶
2. Text that is shaded in gray include conforming amendments as a result of the Safeguard ED-1.

¹ Section 800, *Reports that Include a Restriction on Use and Distribution*

² Section 900, *Independence – Other Assurance Engagements*

³ Extant Part B, *Independence – Audit and Review Engagements, Reports that Include a Restriction on Use and Distribution*, paragraphs 290.500-290.514 (proposed restructured Part 4A, *Independence – Audits and Reviews*, Section 800)

⁴ Extant Part B, *Independence – Other Assurance Engagements* (proposed restructured Part 4B, *Independence – Other Assurance Engagements*)

⁵ Extant Part B, *Long Association of Senior Personnel with an Assurance Client*, paragraph 291.137. See proposed restructured LA proposals at **Agenda Item 5-G**.

⁶ Extant Part B, *Provision of Non-assurance Services to an Assurance Client*, paragraphs 291.138–291.148

Section 1 – Mapping Table of Comparison Section 800

Extant Code	Draft Restructured Code	Comments
<i>Reports that Include a Restriction on Use and Distribution</i>		
<p>290.500 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> <p>(b) where the audit report includes a restriction on use and distribution.</p>	<p>800.2 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. Section 800 sets out certain modifications to Sections 400 to 799 of this Part which are permitted in certain circumstances involving audits of special purpose financial statements where the report includes a restriction on use and distribution.</p> <p>R800.3 A report on an audit of special purpose financial statements which includes a restriction on use and distribution shall only be eligible for the modifications to Sections 400 to 799 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 audit engagement; and</p> <p>(b) The intended users of the report understand the purpose and limitations of the report and</p>	<p>Underlined text is accounted for in the definition of a review engagement in the Glossary.</p>

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		explicitly agree to the application of the modifications.	
		R800.4 When the firm prepares an eligible restricted use audit report any modifications to Sections 400 to 799 shall be limited to those set out in paragraphs R800.6 to R800.13.	
	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 report on an audit of special purpose financial statements which includes a restriction on use and distribution shall only be eligible for the modifications to Sections 400 to 799 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	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	

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	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.		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 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 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.	
290.503	If the firm also issues an audit report that does not include a restriction on use and distribution for the	R800.5	If the firm also issues an audit report that does not include a restriction on use and	

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	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.		distribution for the same client, the firm shall apply Sections 400 to 799 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 Sections 400 to 799 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.
Public Interest Entities				
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 prepares an eligible restricted use audit report, the firm does not need to apply the independence requirements set out in Sections 400 to 799 that apply only to audit engagements for public interest entities.	
Related Entities				
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. 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.	R800.7	When the firm prepares an eligible restricted use audit report, references to audit client in Sections 400 to 799 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	

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			when identifying, evaluating and addressing threats to independence.	
Networks and Network Firms				
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 prepares an eligible restricted use audit report, the specific requirements regarding interests and relationships of network firms set out in Sections 400 to 799 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.	
Financial Interests, Loans and Guarantees, Close Business Relationships and Family and Personal Relationships				
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 prepares an eligible restricted use audit report: (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 immediate family members and close family members;	
290.509	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:	R800.9	When the firm prepares an eligible restricted use audit report: ... (b) The firm shall identify, evaluate and address any threats to independence that might be	

	<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>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>	
	<p>An evaluation shall be made of <u>the significance of any threats</u> 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, 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>	<p>R800.9 When the firm prepares an eligible restricted use audit report: ...</p> <p>(c) The firm shall evaluate and address <u>any threats</u> 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</p>	<p>The underlined text has been removed from this text because this concept is included within the text of the CF.</p>

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		<p>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>	
290.510	<p>An evaluation shall also be made of <u>the significance of any threats</u> that the engagement team has reason to believe are created by financial interests in the audit client held by individuals, as described in paragraphs 290.108 to 290.111 and paragraphs 290.113 to 290.115.</p>	<p>R800.10 When the firm prepares an eligible restricted use audit report the firm shall evaluate and address <u>any threats</u> that the engagement team has reason to believe are created by financial interests in the audit client held by individuals, as set out in paragraphs R510.5(c) and (d), R510.6 and R510.11(c) and (d).</p>	<p>The underlined text has been removed from this text because this concept is included within the text of the CF</p>
290.511	<p>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.</p>		<p>This sentence is not included in the text because it restates the CF.</p>
290.512	<p>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.</p>	<p>R800.11 When the firm prepares an eligible restricted use audit report, the firm, in applying the provisions set out in paragraphs R510.5(a), R510.7 and R510.8 to interests of the firm, shall not hold a material direct or a material indirect financial interest in the audit client.</p>	<p>The underlined words are not included in the text because it restates the conceptual framework.</p>
<p>Employment with an Audit Client</p>			

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290.513	<p>An evaluation shall be made <i>of the significance of any threats</i> 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 that might be appropriate include those set out in paragraph 290.134.</p>	<p>R800.12 When the firm prepares an eligible restricted use audit report, the firm shall evaluate and address any threats created by any employment relationships as set out in paragraphs 524.1 to 524.4.</p>	<p>The text in italics has been removed from this text because it is included within the text of the CF.</p> <p>The underlined words are not included in the text because it re states the conceptual framework.</p>
<p>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 524.3 A1</p>			
<p>Provision of Non-Assurance Services</p>			
290.514	<p>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.</p>	<p>R800.13 If the firm prepares an eligible restricted use audit report 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.</p>	
<p>New paragraph with no equivalent in extant Code</p>			
		<p>800.2 For the purposes of this section, a restricted use and distribution report that is issued in the circumstances set out in paragraph R800.3 is referred to as an “eligible restricted use audit report”.</p>	<p>Added to simplify references to required conditions.</p> <p>In accordance with the drafting guidelines the Task Force proposes to add this phrase to the Glossary with a cross reference to paragraph 800.2.</p>

Section 2 – Part 4B (selected sections) to Extant (Structure ED Phase 2)

Extant Code		Draft Restructured Code		Comments
SECTION 291 Independence – Other Assurance Engagements				
Structure of Section				
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	It is in the public interest and required by the Code that professional accountants in public practice be independent when performing assurance engagements. This Part applies to assurance engagements other than audit and review engagements.	These paragraphs in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.
		900.2	Independence standards for audit and review engagements are set out in Part 4A - <i>Independence for Audits and Reviews</i> .	
		900.3	In this Part 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 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	900.14	An assurance report might include a restriction on use and distribution. If it does, the independence requirements in Sections 900 to 998 may be modified as provided in	

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	requirements in this section may be modified as provided in paragraphs 291.21 to 291.27.	Section 999, if the conditions set out in Section 999 are met.	
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.	900.8 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) 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.	
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, 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	900.1 It is in the public interest and required by the Code that professional accountants in public practice be independent when performing assurance engagements. This Part applies to assurance engagements other than audit and review engagements.	
		R900.18 When the firm performing an assurance engagement has reason to believe that any threat to independence is created by a network firm's interests and relationships, the firm shall evaluate any such threat.	

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	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.	900.18 A1 Network firms are discussed in Paragraphs R400.50 to 400.52.	
		R900.19 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.	
A Conceptual Framework Approach to Independence			
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>The avoidance of facts and circumstances that are so significant that a reasonable and informed third</p>	<p>900.5 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 allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</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>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>(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 this Part, references to an individual or firm being "independent" mean that the individual or firm has complied with the provisions of this Part.</p>	
<p>291.6 The conceptual framework approach shall be applied by professional accountants to:</p> <ul style="list-style-type: none"> (a) Identify threats to independence; (b) Evaluate the significance of the threats identified; and (c) Apply safeguards when necessary to eliminate the threats or reduce them to an acceptable level. <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</p>	<p>900.6 When performing assurance engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part 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>R900.15 A firm performing an assurance engagement shall be independent.</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>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>R900.16 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>R900.17 When applying the conceptual framework to independence, if the firm determines that the identified threats to independence are not at an acceptable level, the firm shall address the threats by eliminating or reducing them to an acceptable level. The firm 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 <p>Declining or ending the assurance engagement or when applicable, the non-assurance service involved.</p>	
	<p>900.17 A1 There are some situations in which the circumstances creating the threats to independence cannot be eliminated and when there can be no safeguards to eliminate those threats created or reduce them to an acceptable level. In such situations, the professional accountant is</p>	

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		required to decline or end the assurance engagement or when applicable, the non-assurance service involved.	
291.7	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.	900.7 This Part 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. This Part describes potential threats, and safeguards that might be appropriate to address any such threats by eliminating them or reducing them to an acceptable level and identifies some situations where no safeguards could reduce the threats to an acceptable level.	This paragraph in the restructured Code in Part 4B reflects the changes in Part 4A of the Structure of the Code ED 1.
291.8	Paragraphs 291.100 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.		This concept is covered by material in the CF.
291.9	In deciding whether to accept or continue an engagement, or whether a particular individual may		This concept is covered by material in the CF.

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<p>be a member of the assurance team, a firm shall identify and evaluate any threats to independence</p> <p>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.</p>		
<p>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.</p>		<p>This concept is covered by material in the CF.</p>
<p>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.</p>		<p>This concept is covered by material in the CF.</p>
<p>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</p>		<p>This concept is covered by material in the CF.</p>

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	accordance with the conceptual framework approach.		
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.		This concept is covered by material in the CF.
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.	900.4 Firms are required by <i>International Standard on Quality Control 1</i> (ISQC 1) to establish policies and procedures designed to provide them with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements maintain independence where required by relevant ethical standards. <i>International Standards on Assurance Engagements</i> (ISAEs) establish responsibilities for engagement partners and engagement teams. The allocation of certain responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of <i>International Independence Standards</i> 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	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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		ISQC 1. In addition, individual professional accountants remain responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.	
Assurance Engagements			
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.	900.9 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 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).	900.10 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 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	

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Extant Code		Draft Restructured Code	Comments
		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.	900.11 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.	900.12 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 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.	900.13 In a direct reporting assurance engagement, the professional accountant either: (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.	

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Assertion-Based Assurance Engagements			
291.17	<p>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>	<p>R900.20 When performing an assertion-based assurance engagement,</p> <p>(a) The members of the assurance team and the firm shall be independent, as set out in this Part of the assurance client (the party responsible for the subject matter information, and which might be responsible for the subject matter). Such independence requirements 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..</p>	
	<p>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.</p>	<p>(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.</p>	
	<p>An evaluation shall be made of the significance of any threats that the firm has reason to believe are</p>	<p>(c) The firm shall evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships</p>	

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	created by network firm ⁷ 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).	900.21 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 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	R900.21 (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	

⁷ See paragraphs 290.13 to 290.24 for guidance on what constitutes a network firm.

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	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>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>	
Direct Reporting Assurance Engagements			
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>R900.22 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> <p>(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.</p>	
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	<p>999.2 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out</p>	

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	in paragraph 291.22 are met, the independence requirements in this section may be modified.	in Section 120 to identify, evaluate and address threats to independence. Section 999 sets out certain modifications to Sections 900 to 998 of this Part which are permitted in certain circumstances involving assurance engagements where the report includes a restriction on use and distribution. The requirements and application material in this section also apply to audits of specific elements, accounts or items of a financial statement.	
	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 and limitations of the report and (b) explicitly agree to the application of the modified independence requirements.	R999.3 A report on an assurance engagement which includes a restriction on use and distribution shall only be eligible for the modifications that are provided to Sections 900 to 998 that are permitted by this section if: (a) ... and (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.	
	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	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	

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<p>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>	<p>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 agreement of the intended users to the modified independence requirements agreed to by their representative.</p>	
<p>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>	<p>R999.3 A report on an assurance engagement which includes a restriction on use and distribution shall only be eligible for the modifications that are provided to Sections 900 to 998 that are permitted by this section if: ...</p> <p>(a) The firm communicates with the intended users of the report regarding the requirements that are to be applied in providing the assurance engagement; 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</p>	

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		such users aware of the requirements agreed to by their representative.	
		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 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 Sections 900 to 998 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	R999.4 When the firm prepares an eligible restricted use assurance report, any modifications to Sections 900 to 998 shall	

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	be limited to those modifications set out in paragraphs R999.6 to R999.8.	
291.25	<p>R999.5 When the firm prepares an eligible restricted use assurance report:</p> <p>(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>(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>(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</p>	
<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>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>(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>		

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	<p>the 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>R999.8 When the firm prepares an eligible restricted use assurance report, the firm shall not hold a material direct or a material indirect financial interest in the assurance client</p>	<p>The underlined words are not included in the text because it re states the conceptual framework.</p>

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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 prepares an eligible restricted use assurance report, the firm shall evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships.	
Multiple Responsible Parties			
291.28	<p>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:</p> <p>(a) The materiality of the subject matter information (or of the subject matter) for which the particular responsible party is responsible; and</p>	900.23 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 Part to each responsible party in such engagements, the firm may take into account certain matters. These matters might 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 information. This	

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	<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>determination will take into account factors such as:</p> <p>(a) The materiality of the subject matter information (or of the subject matter) 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 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>	
Documentation			
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 this Part. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent.	
	<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>	R900.40 The firm shall document conclusions regarding compliance with this Part, and the substance of any relevant discussions that support those conclusions. Accordingly:	

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<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>(a) When safeguards are required 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 required significant analysis to determine whether safeguards are available and capable of being applied in order to address a threat, 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>		
Engagement Period			
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 terminated or the issuance of the final assurance report.</p>	<p>R900.30 Independence, as required by this Part 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 ends at the later of the</p>	

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		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 evaluate the level of 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	<p>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 accepted if safeguards are applied to</p>	<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 the service. If any threat is not at an acceptable level, the</p>	

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<p>eliminate any threats or reduce them to an acceptable level.</p>	<p>firm shall only accept the assurance engagement if the threats are addressed.</p>	
<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 members of the assurance team. • Having a professional accountant review the assurance and non-assurance work as appropriate. • 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>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.</p> <p>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>		
Breach of a Provision of this Section			
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 taken and all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude</p>	<p>R900.50 If a firm concludes that a breach of this Part 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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	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 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 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 circumstances of the engagement and the breach.	R900.52 If the firm determines that it can take action 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 circumstances of the engagement and the breach.	

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<p>291.36</p> <p>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.</p>	<p>R900.53 If the party that engaged the firm does not, or those charged with governance do not, as appropriate, concur that the action proposed by the firm in accordance with 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.</p>	
<p>291.37</p> <p>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.</p>	<p>R900.54 In applying the provisions of R900.50 to R900.53, the firm shall document:</p> <ul style="list-style-type: none"> (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. 	
<p>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 why the action taken satisfactorily addressed the consequences of the breach such that the firm could issue an assurance report.</p>	<p>R900.55 If the firm continues with the assurance engagement, it shall also document 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 so that the firm could issue an assurance report.</p>	

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	Paragraphs 291.38 to 291.99 are intentionally left blank.		Not required in the restructured Code
291.100	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.		Covered by 900.7
291.101	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		Covered by 900.21, 900.21 A1, 900.23 and 900.14.

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<p>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>			
291.102	<p>Interpretation 2005–01 provides further guidance on applying the independence requirements contained in this section to assurance engagements.</p>		<p>The Interpretation has not been included in this mapping table because it is guidance illustrating the application of Section 291 to assurance engagements that are not financial statement audit engagements and not part of the substance of the Code. The Task Force recommends that the Interpretation is rewritten as a guidance tool, if necessary, after the Code has been restructured.</p>
291.103	<p>Paragraphs 291.104 to 291.119 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</p>	<p>910.3 A1 Section 910 contains references to the “materiality” of a financial interest. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and</p>	

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	individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	<p>the individual's immediate family members may be taken into account.</p> <p>911.2 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.</p> <p>920.2 A1 Section 920 contains references to the "materiality" of a business relationship. For the purpose of determining whether such a relationship is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.</p>	
Financial Interests			
291.104	<p>Holding a financial interest in an assurance 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>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. Holding a financial interest in an assurance client might create self-interest threats. Section 910 sets out specific requirements and application material on applying the conceptual framework to financial interest.</p>	

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		<p>910.2 A1 Factors that are important in evaluating the level of threats created by holding financial interests in an assurance client include:</p> <p>(a) The role of the person holding the financial interest.</p> <p>(b) Whether the financial interest is direct or indirect.</p> <p>(c) The materiality of the financial interest.</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. 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.</p>	<p>910.2 A2 A financial interest might be held 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 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.</p>	
291.106	<p>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</p>	<p>R910.4 A direct financial interest or a material indirect financial interest in the assurance client shall not be held by:</p>	<p>The underlined words are not included in the text because it restates the conceptual framework.</p>

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<p>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.</p>	<p>(a) The firm; or (b) An assurance team member or any of that individual's immediate family.</p>	
<p>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</p> <ul style="list-style-type: none"> • The nature of the relationship between the member of the assurance team and the close family member; and • The materiality of the financial interest to the close family member. 	<p>910.8 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 important in evaluating the level of such threats include:</p> <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. 	
<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>R910.8 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p>	

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	<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. 910.8 A1, 910.8 A2).</p>	
	<p>910.8 A2 Examples of actions that might be safeguards to address threats created by having a financial interest as set out in paragraph 910.8 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 disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material; ▪ Having a professional accountant review the work of the assurance team member; or ▪ Removing the individual from the assurance team. 	
291.108	<p>R910.5 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</p>	

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<p>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>individual's immediate family shall hold a direct or material indirect financial interest in that entity.</p>	
<p>291.109</p> <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 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>R910.6</p> <p>Paragraph R910.5 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 trustee, the assurance team member or any of that individual's immediate family or the firm; (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 	

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		individual's immediate family or the firm.	
291.110	<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 • Individuals with a close personal relationship with a member of the assurance team. 	<p>R910.8 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <p>(b) If an assurance team member knows that a financial interest is held by other individuals, such as:</p> <p>(i) Partners and professional employees of the firm, in addition to those who are specifically not permitted to hold such financial interests by paragraph R910.5, or their immediate family members; or</p> <p>(ii) Individuals with a close personal relationship with an assurance team member. (Ref: Para. 910.8 A3, 910.8 A4)</p>	Underlined text covered by CF language
	<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 	<p>910.8 A3 Whether the interests set out in paragraph R910.8(b) create a threat might depend on factors such as:</p> <p>(a) The firm's organizational, operating and reporting structure; and</p>	

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<ul style="list-style-type: none"> 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>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 decision-making concerning the assurance engagement; or Having a professional accountant review the work of the member of the assurance team. 	<p>(b) The nature of the relationship between the individual and the assurance team member.</p> <hr/> <p>910.8 A4 Examples of actions that might be safeguards to address threats created by a financial interest as set out in paragraph 910.8 A3 include:</p> <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. Having a professional accountant review the work of the assurance team member. 	
<p>291.111</p> <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</p>	<p>R910.7 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,</p>	

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	<p>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 indirect financial interest so that the remaining interest is no longer material</p>	<p>gift, as a result of a merger, or in similar circumstances and the 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 an assurance team member, or by any 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.</p>	
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. A loan or a guarantee of a loan between a firm, an	

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		assurance team member or any of that individual's immediate family might create self-interest or other threats. 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 member of the assurance team, a member of that individual's immediate family, nor a firm shall accept such a loan or guarantee.	R911.3 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 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.	911.3 A1 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 might 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 assurance engagement nor received the loan.	911.3 A1 ...Having the work reviewed by a professional accountant from a network firm that is neither involved with the assurance engagement nor received the	

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		loan is an example of an action that might be a safeguard to address such threats.	
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.	911.3 A2 A loan, or a guarantee of a loan, from an assurance client that is a bank or a similar institution to an assurance team member, or any 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.	
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.	R911.5 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 assurance team member and the immediate family member receiving the loan or guarantee, as the case may be; 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	R911.6 A firm, or an assurance team member, or any of that individual's immediate family shall not make or guarantee a loan to an	

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	assurance 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 the firm, or the member of the assurance team and the immediate family member, and the client.	assurance client unless the loan or guarantee is immaterial to both: (a) The firm, or the assurance team member and the immediate family member making the loan or guarantee, as the case may be; and (b) The client.	
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.	R911.4 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.	
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.	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. 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. Section 920 sets out specific requirements and application material relevant to	

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		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 	<p>920.3 A1 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. 	
	<p>Unless any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management, <u>the threat created would be so significant that no safeguards could reduce the threat to an acceptable level.</u> Therefore,</p>	<p>R920.3 The firm or an assurance team member shall not have a close business relationship with an assurance client or its management unless any financial interest is immaterial and the business relationship is</p>	<p>Underlined text covered by CF language</p>

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<p>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>insignificant to the firm or the assurance team member and the client or its management, as the case may be.</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 covered by CF language.</p>
<p>291.119 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 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></p>	<p>920.4 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 and magnitude that they create a self-interest threat.</p>	<p>Underlined text covered by CF language.</p>

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<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. 	<p>920.4 A2 Examples of actions that might be safeguards to address 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. 		
Family and Personal Relationships			
291.120	<p>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.</p>	<p>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. Family or personal relationships between firm and client personnel might create self-interest, familiarity or intimidation threats. Section 921 sets out specific requirements and application material relevant to applying the conceptual framework to family and personal relationships.</p> <p>921.2 A1 Factors that are important to evaluating the level of any self-interest, familiarity or intimidation threats created by family and personal relationships between an assurance team member and a director or officer or, depending on their role, certain</p>	

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		<p>employees of the assurance client, include:</p> <ul style="list-style-type: none"> • The individual's responsibilities on the assurance team; and • The role of the family member or other individual within the client, and the closeness of the relationship. 	
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 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>R921.4 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>	Underlined text covered by CF language.
291.122	Threats to independence are created when an immediate family member of a member of the assurance team is an employee in a position to	<ul style="list-style-type: none"> • [REDACTED] 	Underlined text covered CF language

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<p>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>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>921.3 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. Factors that are important to 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. 	

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<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 responsibility of the immediate family member 	<p>921.3 A2 Examples of actions that might be safeguards to address threats set out in paragraph 921.3 A1 include:</p> <ul style="list-style-type: none"> ▪ Removing the individual from the assurance team. ▪ 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>291.123 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 	<p>921.5 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>Factors that are important to evaluating the level of any threat created by the relationships set out in paragraph 921.5 A1 include:</p> <ul style="list-style-type: none"> • The nature of the relationship between the assurance team member and the close family member. 	<p>Underlined text covered CF language</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 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 responsibility of the close family member. 	<ul style="list-style-type: none"> The position held by the close family member. The role of the assurance team member. <p>921.5 A2 Examples of actions that might be safeguards to address threats created by the relationships set out in paragraph 921.5 A1 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 responsibility of the close family member. 	
<p>291.124</p> <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</p>	<p>R921.6 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; or (b) An employee in a position to exert significant influence over the subject 	<p>Underlined text covered CF language</p>

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<p>relationship shall consult in accordance with firm policies and procedures.</p>	<p>matter information of the assurance engagement.</p>	
<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 • 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>921.6 A1 Factors that are important to 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. • The position the individual holds with the client. • The role of the assurance team member. 	
<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. 	<p>921.6 A2 Examples of actions that might be safeguards to address threats created by such relationships include:</p> <ul style="list-style-type: none"> • Removing the individual from the assurance team. • 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. 	

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<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. 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>921.7 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 that are important 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 assurance team. • The position of the partner or employee within the firm. • The role of the individual within the client. 	<p>Underlined text covered CF language</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 	<p>921.7 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 	

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	influence over the assurance engagement; or <ul style="list-style-type: none"> Having a professional accountant review the relevant assurance work performed. 	influence over the assurance engagement. <ul style="list-style-type: none"> Having a professional accountant review the relevant assurance work performed. 	
Employment with an Assurance Client			
291.126	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	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. Employment relationships between former partners or employees of firms and assurance clients might create familiarity or intimidation threats. Section 924 sets out specific requirements and application material relevant to applying the conceptual framework to these employment relationships. <ul style="list-style-type: none"> 	
		924.2 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: <ul style="list-style-type: none"> A director or officer of the assurance client, or 	

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		<ul style="list-style-type: none"> An employee who is in a position to exert significant influence over the subject matter information of the assurance engagement. 	
291.127	<p>If a former member of the assurance team or partner of the firm has joined the assurance client in such a position, 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 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>924.3 A1 If one of those individuals has joined the assurance client in such a position and does not continue to participate in the firm's business or professional activities, the following factors are important 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, for example, whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance. 	
	<p>In all cases the individual shall not continue to participate in the firm's business or professional activities.</p>	<p>R924.3 If a former partner joins an assurance client of the firm or a former assurance team member joins the assurance client as:</p>	<p>This paragraph in the restructured Code in Part 4B reflects the changes</p>

Extant Code	Draft Restructured Code	Comments
<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>(i) A director or officer; or</p> <p>(ii) 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>in Part 4A of the Structure of the Code ED 1.</p> <p>Underlined text covered by CF language.</p>
<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. 	<p>924.3 A2 Examples of actions that might be safeguards to address threats created by such employment relationships 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. 	

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		<ul style="list-style-type: none"> Having a professional accountant review the work of the former assurance team member. 	
291.128	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>	924.3 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 R924.3.	Underlined text covered by CF language.
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	924.4 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 some time 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	R924.4 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 	924.4 A2 Examples of actions that might be safeguards to address a threat set out in paragraph 924.4 A1 include: <ul style="list-style-type: none"> Removing the individual from the assurance team. 	

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<ul style="list-style-type: none"> A review of any significant judgments made by that individual while on the team. 	<ul style="list-style-type: none"> A review of any significant judgments made by that individual while on the team. 		
Recent Service with an Assurance Client			
291.130	<p>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 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.</p>	<p>922.1 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. Self-interest, self-review or familiarity threats might be created if an assurance team member has recently served as a director, officer, or employee of the assurance client. 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.</p>	
291.131	<p>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.</u> Consequently,</p>	<p>R922.2 The assurance team shall not include an individual who, during the period covered by the assurance report:</p> <ul style="list-style-type: none"> (a) Had served as director or officer of the assurance client; or (b) Was an employee in a position to exert significant influence over the 	Underlined text covered by CF language.

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	subject matter information of the assurance engagement.	
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 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.	922.2 A1 Self-interest, self-review or familiarity threats might be created if, before the period covered by the assurance report, an assurance team member: <ul style="list-style-type: none"> (a) Had served as 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. 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.	Underlined text is covered by CF language
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 • The role of the professional on the assurance team. 	922.2 A2 Factors that are important to evaluating the level of any threats created by such recent service with an assurance client include: <ul style="list-style-type: none"> • The position the individual held with the client. • The length of time since the individual left the client. 	

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		<ul style="list-style-type: none"> The role of the assurance team member. 	
	<u>The significance of any threat shall be evaluated and safeguards applied when necessary to reduce the threat to an acceptable level.</u>		
	An example of such a safeguard is conducting a review of the work performed by the individual as part of the assurance team.	922.2 A3 An example of an action that might be a safeguard to address the threats set out in paragraph 922.3 A1 is conducting a review of the work performed by the individual as an assurance team member.	
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. 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. Section 923 sets out specific requirements and application material relevant to applying the conceptual framework in these circumstances.	Underlined text covered by CF language.
		R923.2 A partner or employee of the firm shall not serve as a director or officer of an assurance client of the firm.	

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291.134	<p>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 regulation or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity.</p>	<p>923.3 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 regulation or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity</p>	
291.135	<p>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>	<p>R923.3 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>	

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291.136	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.			Extant paragraph is irrelevant given changes to NAS provisions.
<i>Restructured paragraph 291.137 Long Association of Senior Personnel with an Assurance Client will be drafted and presented by the Long Association Task Force see Agenda Items 5-C and 5-D.</i>				
<i>Restructured paragraphs 291.138 to 291.157 Provision of Non-assurance Services to an Assurance Client are being presented by the Safeguards Task Force, at the IESBA's December 2016 meeting.</i>				
Fees				
291.149	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: <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. <u>The significance of the threat shall be evaluated and safeguards applied when necessary to</u>	905.1	The level and nature of fees or other types of remuneration might create self-interest or intimidation threats.	Underlined text covered by CF language.
		905.2	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. Section 905 sets out specific requirements and	

Extant Code	Draft Restructured Code	Comments
<p><u>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 • Consulting a third party, such as a professional regulatory body or a professional accountant, on key assurance judgments. 	<p>application material relevant to applying the conceptual framework to fees or other remuneration.</p>	
	<p>905.2 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 concern about losing the client creates a self-interest or intimidation threat. Factors that are important 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>905.2 A2 Examples of actions that might be safeguards to address such threats include:</p> <ul style="list-style-type: none"> • Reducing dependence on the client. • External quality control reviews. • Consulting a third party, such as a professional body or a professional 	

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		accountant, on key assurance judgments.	
292.150	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 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.	905.2 A3 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.	
		905.2 A4 Having an additional professional accountant who was not an assurance team member review the work or otherwise advise as necessary, is an example of an action that might be a safeguard to address the threats set out in paragraph 905.2 A3.	
291.151	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	905.3 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 appropriate for the firm to 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.	
		R905.3 When a significant part of fees due from an assurance client remains unpaid for a long time, the firm shall determine:	

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<p>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 significance of the overdue fees, it is appropriate for the firm to be re-appointed or continue the assurance engagement.</p>	<p>(a) Whether the overdue fees might be equivalent to a loan to the client; and</p> <p>(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.</p> <hr/> <p>905.3 A2 Having another professional accountant, who did not take part in the assurance engagement, provide advice or review the work performed, is an example of an action that might be a safeguard to address the threats discussed in paragraph 905.3 A1.</p>	
<p>290.152 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.</p>	<p>905.5 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. For the purposes of this section, fees are not regarded as being contingent if established by a court or other public authority.</p>	
<p>290.153 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</p>	<p>R905.4 A firm shall not charge, directly or indirectly, a contingent fee for an assurance engagement.</p>	

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<p>290.154</p> <p>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 assurance client may also create a self-interest threat. If the outcome 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, no safeguards could reduce the threat to an acceptable level. Accordingly, such arrangements shall not be accepted.</p>	<p>R905.5</p> <p>A firm shall not charge directly or indirectly, a contingent fee for a non-assurance service provided to an assurance client if the outcome 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>290.155</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</u></p>	<p>905.5 A2</p> <p>Paragraphs R905.4 and R905.5 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 important in evaluating the level of those 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. 	<p>Underlined text covered by CF language.</p>

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	<p><u>eliminate the threats or reduce 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. 	<ul style="list-style-type: none"> • The nature of the service. • The effect of the event or transaction on the subject matter information. 	
		<p>905.5 A3 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. 	
Gifts and Hospitality			
291.156	<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</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>	

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	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.		Accepting gifts or hospitality from an assurance client might create self-interest and familiarity threats. Section 906 sets out a specific requirement relevant to applying the conceptual framework to evaluating gifts and hospitality.	
		R906.2	A firm or an assurance team member shall not accept gifts or hospitality from an assurance client, unless the value is trivial and inconsequential.	
Actual or Threatened Litigation				
290.157	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: <ul style="list-style-type: none"> The materiality of the litigation; and 	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. When litigation occurs, or appears likely, between an assurance client and the firm or an assurance team member, threats are created. Section 907 sets out specific application material relevant to applying the conceptual framework to such actual or threatened litigation.	Underlined text covered by CF language.
		907.2 A1	The relationship between client management and the assurance team members must be characterized by complete candor and full disclosure	

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<ul style="list-style-type: none"> 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 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>regarding all aspects of a client's operations. The adversarial positions which could 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 important to evaluating the level of such threats include:</p> <ul style="list-style-type: none"> (a) The materiality of the litigation. (b) Whether the litigation relates to a prior assurance engagement. <p>907.2 A2 Examples of actions that might be safeguards to address threats created by actual or threatened litigation include:</p> <ul style="list-style-type: none"> If the litigation involves an assurance team member, removing that individual from the assurance team. Having a professional review the work performed. 		
New paragraphs with no equivalent in the extant Code			
		<p>999.1 For the purposes of this section, a restricted use and distribution assurance report that is issued in the circumstances set out in paragraph R999.3 is referred to</p>	<p>Added to simplify references to required conditions.</p> <p>In accordance with the drafting guidelines the Task Force proposes to</p>

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	as an “eligible restricted use assurance report”.	add this phrase to the Glossary with a cross reference to paragraph 999.1.
<p>Interpretation 2005 – 01 (<i>Revised July 2009 to conform to changes resulting from the IESBA’s project to improve the clarity of the Code</i>) “<i>The Interpretation</i>”</p>		
<p><i>The Interpretation has not been included in this mapping table because it is guidance illustrating the application of Section 291 to assurance engagements that are not financial statement audit engagements and not part of the substance of the Code. The Task Force recommends that the Interpretation is rewritten as a guidance tool, if necessary, after the Code has been restructured.</i></p>		