

PROPOSED REVISIONS PERTAINING TO SAFEGUARDS IN THE CODE PHASE 1 MAPPING TABLE

Note: This Mapping Table is a supplement to, and not part of, the [Exposure Draft \(ED\), Proposed Revisions Pertaining to Safeguards in the Code—Phase 1](#). It has been prepared by the Staff of the International Ethics Standards Board for Accountants®.

The Mapping Table compares Sections 100 and 200 of extant Code to the proposed Sections 120 and 300, respectively, in the ED. The proposals in the ED are drafted using the structure and drafting conventions of the proposed restructured Code. The Mapping Table also includes comments to explain the rationale for proposed revisions.

A. Extant Section 100 Compared to Proposed Section 120

Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant shall observe and comply with this Code. If a professional accountant is prohibited from complying with certain parts of this Code by law or regulation, the professional accountant shall comply with all other parts of this Code.		This paragraph is dealt with by the Structure project and has not been impacted by the Board's Safeguards project.

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
<p>100.2 This Code contains three parts. Part A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework that professional accountants shall apply to:</p> <ul style="list-style-type: none"> (a) Identify threats to compliance with the fundamental principles; (b) Evaluate the significance of the threats identified; and 	<p>Requirements and Application Material</p> <p>R120.3 The professional accountant shall apply the conceptual framework which involves identifying, evaluating and addressing threats to compliance with the</p>	<p>More robust overarching requirements to apply the conceptual framework</p>
<p>(c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>	<p>fundamental principles.</p> <p>R120.4 When applying the conceptual framework, the professional accountant shall exercise professional judgment, remain alert to changing circumstances, and take into account whether a reasonable and informed third party would likely conclude that the accountant has complied with the fundamental principles.</p>	

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
100.3 Parts B and C describe how the conceptual framework applies in certain situations. They provide examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants in public practice. Part C applies to professional accountants in business. Professional accountants in public practice may also find Part C relevant to their particular circumstances.	<p>Section 300, Application of the Conceptual Framework Approach by Professional Accountants in Public Practice</p> <p>Introduction</p> <p>300.1 This Part of the Code describes considerations for professional accountants in public practice in the application of the conceptual framework set out in Section 120. This Part does not describe all of the facts and circumstances, including professional services,</p>	This paragraph is dealt with as part of the Structure project, but because it includes useful contextual introductory information for proposed Section 300, it has been included in the Safeguards ED.
	interests and relationships, that could be encountered by accountants ¹ that create or might create threats to compliance with the fundamental principles. Therefore, accountants are encouraged to be alert for such facts and circumstances.	
100.4 The use of the word “shall” in this Code imposes a requirement on the professional accountant or firm to comply with the specific provision in which “shall” has been used. Compliance is required unless an exception is permitted by this Code.		This paragraph is dealt with by the Structure project and has not been impacted by the Board’s Safeguards project.

¹ In Part C and in C1 and C2, the term “professional accountant” refers to professional accountants in public practice and firms of professional accountants in practice.

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
100.5 <i>Fundamental Principles</i> A professional accountant shall comply with the following fundamental principles: (a) Integrity – to be straightforward and honest in all professional and business relationships. (b) Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.		As part of the Structure project, the fundamental principles have been moved to Section 110 of the re-structured Code.

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<p>(c) Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.</p> <p>(d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.</p> <p>(e) Professional Behavior – to comply with relevant laws and regulations and avoid any action that discredits the profession.</p> <p>Each of these fundamental principles is discussed in more detail in Sections 110–150.</p>		
<p>100.6 <i>Conceptual Framework Approach</i></p> <p>The circumstances in which professional accountants operate may create specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates threats to compliance with the fundamental principles and specify the appropriate action. In addition, the nature</p>	<p>The Conceptual Framework</p> <p>Introduction</p> <p>120.1 The circumstances in which professional accountants operate might create specific threats to compliance with the fundamental principles. The conceptual</p>	<p>Enhanced application material to better describe the conceptual framework</p>

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
<p>of engagements and work assignments may differ and, consequently, different threats may be created, requiring the application of different safeguards. Therefore, this Code establishes a conceptual framework that requires a professional accountant to identify, evaluate, and address threats to compliance with the fundamental principles.</p> <p>The conceptual framework approach assists professional accountants in complying with the ethical requirements of this Code and meeting their responsibility to act in the public interest. It accommodates many variations in circumstances that create threats to compliance with the fundamental principles and can deter a professional accountant from concluding that a situation is permitted if it is not specifically prohibited.</p>	<p>framework assists the accountant in complying with the fundamental principles and meeting the responsibility to act in the public interest. It accommodates the many variations in facts and circumstances that create threats to compliance with the fundamental principles and deters an accountant from concluding that a situation is permitted if it is not specifically prohibited by this Code.</p> <p>120.2 The conceptual framework specifies an approach for the professional accountant to:</p> <ul style="list-style-type: none"> (a) Identify threats to compliance with the fundamental principles; (b) Evaluate the threats identified; and (c) Address the threats by eliminating or reducing them to an acceptable level. 	
100.7 When a professional accountant identifies threats to compliance with the fundamental principles and, based on an evaluation of those threats, determines that they are not at an acceptable level, the professional accountant shall determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an	<p>Requirements and Application Material Identifying Threats</p> <p>R120.5 The professional accountant shall identify threats to compliance with the fundamental principles. An understanding of the facts and</p>	<p>Enhanced and more prominent requirements for applying the conceptual framework that include identifying threats, evaluating threats and addressing threats.</p> <p>Improved description of</p>

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
<p>acceptable level. In making that determination, the professional accountant shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of the safeguards, such that compliance with the fundamental principles is not compromised.</p>	<p>circumstances, including professional activities, interests and relationships, that might compromise compliance with the fundamental principles is a prerequisite to the accountant's identification of threats to such compliance.</p> <p>Evaluating Threats</p> <p>R120.6 When the professional accountant identifies a threat, the accountant shall evaluate whether such a threat is at an acceptable level.</p> <p>Addressing Threats</p> <p>R120.7 If the professional accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable level, the accountant shall address the threats by eliminating or reducing them to an acceptable level. The accountant shall do so by:</p> <ul style="list-style-type: none"> (a) Eliminating the circumstances, including interests or relationships, that are creating the threats; 	<p>reasonable and informed third party.</p>

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
	<ul style="list-style-type: none"> (b) Applying safeguards, where available and capable of being applied; or (c) Declining or discontinuing the specific professional activity or service involved. <p>Reasonable and Informed Third Party</p> <p>120.4 A1 The concept of a reasonable and informed third party is a test which involves an evaluation by a hypothetical person. Such a person possesses skills, knowledge and experience to objectively evaluate the appropriateness of the professional accountant's judgments and conclusions. This evaluation entails weighing all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time that the evaluation is made to determine whether the accountant complies with the</p>	

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Extant Code Section 100, Introduction and Fundamental Principles		Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
		fundamental principles.	
100.8	A professional accountant shall evaluate any threats to compliance with the fundamental principles when the professional accountant knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.	<p>Evaluating Threats</p> <p>R120.6 When the professional accountant identifies a threat, the accountant shall evaluate whether such a threat is at an acceptable level.</p> <p>120.6 A1 An acceptable level is a level at which a reasonable and informed third party would likely conclude that the professional accountant complies with the fundamental principles.</p>	<p>Enhanced application material for evaluating threats that include:</p> <ul style="list-style-type: none"> • A new definition of acceptable level; and • The revised description of reasonable and informed third party.
		120.6 A3 The existence of conditions, policies and procedures discussed in paragraph 120.5A4 above might impact the professional accountant's	

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	<p>evaluation of threats to compliance with the fundamental principles.</p> <p>Reasonable and Informed Third Party</p> <p>120.4 A1 The reasonable and informed third party is a concept which involves a hypothetical person. Such person possesses skills, knowledge and experience to objectively evaluate the appropriateness of the professional accountant's judgements and conclusions. This evaluation entails weighing all the relevant facts and circumstances that the</p>	
	<p>professional accountant knows, or could reasonably be expected to know, at the time that the evaluation is made, to determine whether the professional accountant has complied with the fundamental principles.</p>	
100.9 A professional accountant shall take qualitative as well as quantitative factors into account when evaluating the significance of a threat. When applying	<p>Evaluating Threats</p> <p>120.6 A2 The existence of qualitative as well as quantitative factors is</p>	The first sentence of extant 100.9 is a requirement. This requirement is covered by

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
<p>the conceptual framework, a professional accountant may encounter situations in which threats cannot be eliminated or reduced to an acceptable level, either because the threat is too significant or because appropriate safeguards are not available or cannot be applied. In such situations, the professional accountant shall decline or discontinue the specific professional activity or service involved or, when necessary, resign from the engagement (in the case of a professional accountant in public practice) or the employing organization (in the case of a professional accountant in business).</p>	<p>relevant to the professional accountant's evaluation of threats, as is the combined effect of multiple threats, if applicable.</p> <p>Addressing Threats</p> <p>R120.7 If the professional accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable level, the accountant shall address the threats by eliminating or reducing them to an acceptable level. The accountant shall do so by:</p> <ul style="list-style-type: none"> (a) Eliminating the circumstances, including interests or relationships, that are creating the threats; (b) Applying safeguards, where available and capable of being applied; or (c) Declining or discontinuing the specific professional activity or service involved. 	<p>R120.6 discussed in the row above and in the application material referenced here in 120.6 A2.</p> <p>The Board's proposals retain and builds on the rest of paragraph 100.9 of the extant Code to establish more robust requirements and application material for addressing threats. This includes a new description for the term safeguards.</p>

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	<p>120.7 A1 There are some situations where the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. International Independence Standards C1 and C2 of the Code provide examples of such situations.</p> <p><i>Safeguards</i></p> <p>120.7 A2 Safeguards are actions, individually or in combination, that the professional accountant takes that effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level.</p>	

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100.10	<p>Sections 290 and 291 contain provisions with which a professional accountant shall comply if the professional accountant identifies a breach of an independence provision of the Code. If a professional accountant identifies a breach of any other provision of this Code, the professional accountant shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall take whatever actions that may be available, as soon as possible, to satisfactorily address the consequences of the breach. The accountant shall determine whether to report the breach, for example, to those who may have been affected by the breach, a member body, relevant regulator or oversight authority.</p>		<p>This paragraph is dealt with by the Structure project and has not been impacted by the Board's Safeguards project.</p>
100.11	<p>When a professional accountant encounters unusual circumstances in which the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest, it is recommended that the professional accountant consult with a member body or the relevant regulator.</p>		<p>This paragraph is dealt with by the Structure project and has not been impacted by the Board's Safeguards project.</p>
100.12	<p><i>Threats and Safeguards</i></p> <p>Threats may be created by a broad range of relationships and circumstances. When a relationship or circumstance creates a threat, such a threat could compromise, or could be perceived to compromise, a professional accountant's compliance with the fundamental principles. A circumstance or relationship</p>	<p>Identifying Threats</p> <p>120.5 A1 Threats might be created by a broad range of facts and circumstances. It is impossible to define every situation that creates threats. In addition, the nature of engagements</p>	<p>For consistency, the term "facts and circumstances" has been used as an "umbrella" term" to replace the terms "...facts and circumstances," "circumstances and relationships," "facts,</p>

Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
<p>may create more than one threat, and a threat may affect compliance with more than one fundamental principle. Threats fall into one or more of the following categories:</p> <ul style="list-style-type: none"> (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence the professional accountant's judgment or behavior; (b) Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made, or activity or service performed by the professional accountant, or by another individual within the professional accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity or providing a current service; (c) Advocacy threat – the threat that a professional accountant will promote a client's or employer's position to the point that the professional accountant's objectivity is compromised; (d) Familiarity threat – the threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work; and (e) Intimidation threat – the threat that a professional accountant will be deterred from acting objectively because of actual or 	<p>and work assignments might differ and, consequently, different types of threats might be created.</p> <p>120.5 A2 Threats to compliance with the fundamental principles fall into one or more of the following categories:</p> <ul style="list-style-type: none"> (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence the professional accountant's judgment or behavior; (b) Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made, or activity or service performed by the accountant, or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of 	<p>circumstances and relationships," and "interests and relationships" in the extant Code.</p>

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<p>perceived pressures, including attempts to exercise undue influence over the professional accountant.</p> <p>Parts B and C of this Code explain how these categories of threats may be created for professional accountants in public practice and professional accountants in business, respectively. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p>	<p>performing a current activity or providing a current service;</p> <p>(c) Advocacy threat – the threat that a professional accountant will promote a client's or employer's position to the point that the accountant's objectivity is compromised;</p> <p>(d) Familiarity threat – the threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work; and</p> <p>(e) Intimidation threat – the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the</p>	

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
	<p>accountant.</p> <p>120.5 A3 A circumstance might create more than one threat, and a threat might affect compliance with more than one fundamental principle.</p>	
100.13 Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level. They fall into two broad categories: (a) Safeguards created by the profession, legislation or regulation; and (b) Safeguards in the work environment.	<p>Addressing Threats</p> <p>Safeguards</p> <p>120.7 A2 Safeguards are actions, individually or in combination, that the professional accountant takes that effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level.</p>	Enhanced description of safeguards.
100.14 Safeguards created by the profession, legislation or regulation include: <ul style="list-style-type: none"> • Educational, training and experience requirements for entry into the profession • Continuing professional development requirements • Corporate governance regulations • Professional standards • Professional or regulatory monitoring and disciplinary procedures • External review by a legally empowered third 	<p>Identifying Threats</p> <p>120.5A4 Certain conditions, policies and procedures established by the profession, legislation, regulation, the firm or the employing organization can affect the likelihood of the professional accountant's identification of threats to compliance with the fundamental principles.</p>	Re-characterization of (a) Safeguards created by the profession, legislation or regulation; and (b) Safeguards in the work environment as matters that might impact the professional accountant's identification of threats to compliance with the fundamental principles.

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
	<ul style="list-style-type: none"> • party of the reports, returns, communications or information produced by a professional accountant 	Examples of such conditions, policies and procedures include: <ul style="list-style-type: none"> • Corporate governance requirements. • Educational, training and experience requirements for the profession. • Effective complaint systems. • An explicitly stated duty to report breaches of ethical requirements.
100.15 Parts B and C of this Code discuss safeguards in the work environment for professional accountants in public practice and professional accountants in business, respectively.		by proposed paragraph 300.1. See table B. Paragraph 100.15 is subsumed
100.16 Certain safeguards may increase the likelihood of identifying or deterring unethical behavior. Such safeguards, which may be created by the accounting profession, legislation, regulation, or an employing organization, include: <ul style="list-style-type: none"> • Effective, well-publicized complaint systems operated by the employing organization, the profession or a regulator, which enable colleagues, employers and members of the public to draw attention to unprofessional or unethical behavior. • An explicitly stated duty to report breaches of ethical requirements 		Professional or regulatory monitoring and disciplinary procedures.
	Re-evaluating Threats R120.8 If the professional accountant becomes aware of new information or changes in facts and circumstances that might	New requirement and application material for re-evaluating threats

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
	<p>impact whether a threat has been eliminated or reduced to an acceptable level, the accountant shall re-evaluate and address that threat accordingly.</p> <p>120.8 A1 Remaining alert throughout the professional activity or service assists the professional accountant in determining whether new information has emerged or changes in facts and circumstances have occurred that:</p> <ul style="list-style-type: none"> (a) Impact the level of a threat; or (b) Affect the professional accountant's conclusions about whether safeguards applied continue to be appropriate to address identified threats. <p>120.8 A2 If the professional accountant identifies a new threat, the application of the conceptual framework requires that the accountant evaluate and address this new threat as set out in paragraphs R120.5–</p>	

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Extant Code Section 100, Introduction and Fundamental Principles	Proposed Section 120 (Re-structured), The Conceptual Framework	Comments
	R120.8 above.	
	Overall Assessment R120.9 The professional accountant shall review judgments made and overall conclusions reached to determine that threats to compliance with the fundamental principles are eliminated or reduced to an acceptable level, and that no further action is needed. The reasonable and informed third party test described in paragraph 120.4 A1 is relevant to this assessment.	New “step-back” requirement
<i>Extant paragraphs 100.17–100.25 that deal with Conflicts of Interest and Communicating with Those Charged With Governance are dealt with by the Structure project.</i>		

B. Section 200 Compared to Proposed Section 300

Extant Code <i>Section 200, Introduction</i>	Proposed Section 300, <i>Application of the Conceptual Framework by Professional Accountants in Public Practice</i>	Comments
<p>200.1 This Part of the Code describes how the conceptual framework contained in Part A applies in certain situations to professional accountants in public practice. This Part does not describe all of the circumstances and relationships that could be encountered by a professional accountant in public practice that create or may create threats to compliance with the fundamental principles. Therefore, the professional accountant in public practice is encouraged to be alert for such circumstances and relationships.</p>	<p>Introduction</p> <p>300.1 This Part of the Code describes considerations for professional accountants in public practice in the application of the conceptual framework set out in Section 120. This Part does not describe all of the facts and circumstances, including professional services, interests and relationships, that could be encountered by accountants² that create or might create threats to compliance with the fundamental principles. Therefore, accountants are encouraged to be alert for such facts and circumstances.</p> <p>Requirements and Application Material</p> <p>R300.2 A professional accountant shall comply with each of the fundamental principles and apply the conceptual framework set out in Section 120 to eliminate threats to compliance with those fundamental principles or to reduce them to an acceptable level.</p>	

² In Part C and in C1 and C2, the term “professional accountant” refers to professional accountants in public practice and firms of professional accountants in practice.

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Extant Code Section 200, Introduction	Proposed Section 300, Application of the Conceptual Framework by Professional Accountants in Public Practice	Comments
200.2 A professional accountant in public practice shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.		This paragraph is dealt with by the Structure project and has not been impacted by the Board's Safeguards project.
<p><i>Threats and Safeguards</i></p> <p>Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances and relationships. The nature and significance of the threats may differ depending on whether they arise in relation to the provision of services to an audit client and whether the audit client is a public interest entity, to an assurance client that is not an audit client, or to a non-assurance client.</p> <p>Threats fall into one or more of the following categories:</p> <ul style="list-style-type: none"> (a) Self-interest; (b) Self-review; (c) Advocacy; (d) Familiarity; and (e) Intimidation. <p>These threats are discussed further in Part A of this Code.</p>	<p>Identifying Threats</p> <p>300.2 A1 Compliance with the fundamental principles might be threatened by a broad range of facts and circumstances. The following are categories of threats, and examples of facts and circumstances that might create those threats for a professional accountant when undertaking a professional activity or providing a professional service:</p> <ul style="list-style-type: none"> (a) Self-interest Threats <ul style="list-style-type: none"> • A professional accountant having a direct financial interest in a client. • A firm having undue dependence on total fees from a client or the possibility of losing a significant client. • A professional accountant having a 	Streamlined examples of the types of threats. These were included in paragraphs 200.3–200.8 of the extant Code.
200.4 Examples of circumstances that create self-interest threats for a professional accountant in public practice include: <ul style="list-style-type: none"> • A member of the assurance team having a direct 		

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Extant Code Section 200, Introduction	Proposed Section 300, <i>Application of the Conceptual Framework by Professional Accountants in Public Practice</i>	Comments
<p>financial interest in the assurance client.</p> <ul style="list-style-type: none"> • A firm having undue dependence on total fees from a client. • A member of the assurance team having a significant close business relationship with an assurance client. • A firm being concerned about the possibility of losing a significant client. • A member of the audit team entering into employment negotiations with the audit client. • A firm entering into a contingent fee arrangement relating to an assurance engagement. • A professional accountant discovering a significant error when evaluating the results of a previous professional service performed by a member of the professional accountant's firm. <p>Examples of circumstances that create self-review threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • A firm issuing an assurance report on the effectiveness of the operation of financial systems after designing or implementing the systems. • A firm having prepared the original data used to generate records that are the subject matter of the assurance engagement. • A member of the assurance team being, or 	<p>significant close business relationship with a client.</p> <p>(b) Self-review Threats</p> <ul style="list-style-type: none"> • A professional accountant issuing an assurance report on the effectiveness of the operation of financial systems after designing or implementing the systems. • A professional accountant having prepared the original data used to generate records that are the subject matter of the assurance engagement. • A professional accountant being, or having recently been, a director or officer of the client, or having recently been employed by the client in a position to exert significant influence over the subject matter of the 	

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Extant Code Section 200, Introduction	Proposed Section 300, Application of the Conceptual Framework by Professional Accountants in Public Practice	Comments
<p>200.6</p> <ul style="list-style-type: none"> • having recently been, a director or officer of the client. • A member of the assurance team being, or having recently been, employed by the client in a position to exert significant influence over the subject matter of the engagement. • The firm performing a service for an assurance client that directly affects the subject matter information of the assurance engagement. <p>Examples of circumstances that create advocacy threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • The firm promoting shares in an audit client. • A professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties 	<p>engagement.</p> <p>(c) Advocacy Threats</p> <ul style="list-style-type: none"> • The professional accountant promoting shares in a client. • A professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties. 	
<p>200.7</p> <p>Examples of circumstances that create familiarity threats for a professional accountant in public practice include:</p> <ul style="list-style-type: none"> • A member of the engagement team having a close or immediate family member who is a director or officer of the client. • A member of the engagement team having a close or immediate family member who is an employee of the client who is in a position to exert significant influence over the subject matter of the engagement. • A director or officer of the client or an employee 	<p>(d) Familiarity Threats</p> <ul style="list-style-type: none"> • A member of the engagement team having a close or immediate family member who is a director or officer of the client, or is an employee of the client who is in a position to exert significant influence over the subject matter of the engagement. • A director or officer of the client, or an employee in a position to exert significant influence over the 	

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Extant Code Section 200, <i>Introduction</i>	Proposed Section 300, <i>Application of the Conceptual Framework by Professional Accountants in Public Practice</i>	Comments
<ul style="list-style-type: none"> in a position to exert significant influence over the subject matter of the engagement having recently served as the engagement partner. • A professional accountant accepting gifts or preferential treatment from a client, unless the value is trivial or inconsequential. <p>Senior personnel having a long association with the assurance client.</p>	<ul style="list-style-type: none"> subject matter of the engagement, having recently served as the engagement partner. • Senior personnel having a long association with the assurance client. <p>(e) Intimidation Threats</p> <ul style="list-style-type: none"> • A firm being threatened with dismissal from a client engagement. • A professional accountant feeling pressured to agree with the judgment of a client employee because the employee has more expertise on the matter in question. • A professional accountant being informed by a partner of the firm that a planned promotion will not occur unless the accountant agrees with an audit client's inappropriate accounting treatment. <p>The categories of threats are also discussed</p>	

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	in Section 120.	
200.8 Examples of circumstances that create intimidation threats for a professional accountant in public practice include: <ul style="list-style-type: none"> • A firm being threatened with dismissal from a client engagement. • An audit client indicating that it will not award a planned non-assurance contract to the firm if the firm continues to disagree with the client's accounting treatment for a particular transaction. • A firm being threatened with litigation by the client. • A firm being pressured to reduce inappropriately the extent of work performed in order to reduce fees. • A professional accountant feeling pressured to agree with the judgment of a client employee because the employee has more expertise on the matter in question. • A professional accountant being informed by a partner of the firm that a planned promotion will not occur unless the accountant agrees with an audit client's inappropriate accounting treatment. 		
200.9 Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories: <ol style="list-style-type: none"> (a) Safeguards created by the profession, legislation or regulation; and (b) Safeguards in the work environment. 	Section 120, The Conceptual Framework Addressing Threats Safeguards 120.7 A2 Safeguards are actions, individually or in combination, that the	An improved description of safeguards is now included in proposed Section 120.

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Examples of safeguards created by the profession, legislation or regulation are described in paragraph 100.14 of Part A of this Code.	professional accountant takes that effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level.	
200.10 A professional accountant in public practice shall exercise judgment to determine how best to deal with threats that are not at an acceptable level, whether by applying safeguards to eliminate the threat or reduce it to an acceptable level or by terminating or declining the relevant engagement. In exercising this judgment, a professional accountant in public practice shall consider whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of safeguards, such that compliance with the fundamental principles is not compromised. This consideration will be affected by matters such as the significance of the threat, the nature of the engagement and the structure of the firm.	<p>Addressing Threats</p> <p>300.2 A7 If the professional accountant determines that the identified threats to compliance are not at an acceptable level, Section 120 requires that the accountant address those threats by:</p> <ul style="list-style-type: none"> (a) Eliminating the circumstances, including interests or relationships, that are creating the threats; (b) Applying safeguards, where available and capable of being applied; or (c) Declining or discontinuing the specific professional activity or service involved. <p>300.2 A8 There are some situations where the threat created would be so significant that no safeguards could reduce the threat to an acceptable level, and the threats may not be addressed by</p>	New application material to emphasize the requirement in proposed Section 120 relating to addressing threats.

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	applying the requirements in Section 120. International Independence Standards C1 and C2 provide examples of such situations.	
200.11 In the work environment, the relevant safeguards will vary depending on the circumstances. Work environment safeguards comprise firm-wide safeguards and engagement-specific safeguards.		This paragraph has been withdrawn.
200.12 Examples of firm-wide safeguards in the work environment include: <ul style="list-style-type: none"> • Leadership of the firm that stresses the importance of compliance with the fundamental principles. • Leadership of the firm that establishes the expectation that members of an assurance team will act in the public interest. • Policies and procedures to implement and monitor quality control of engagements. • Documented policies regarding the need to identify threats to compliance with the fundamental principles, evaluate the significance of those threats, and apply safeguards to eliminate or reduce the threats to an acceptable level or, when appropriate safeguards are not available or cannot be applied, terminate or decline the relevant engagement. • Documented internal policies and procedures requiring compliance with the fundamental 	Evaluating Threats <i>The Firm and its Operating Environment</i> 300.2 A6 A professional accountant's evaluation of the level of a threat might be impacted by the work environment within a firm and its operating environment. For example: <ul style="list-style-type: none"> • Leadership of the firm that promotes compliance with the fundamental principles and establishes the expectation that professional accountants will act in the public interest. • Methods and processes for establishing and monitoring compliance with the fundamental principles by all personnel. • Compensation, performance appraisal and disciplinary 	Re-characterization of firm-wide safeguards as matters that might impact the professional accountant's evaluation of the level of a threat.

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Extant Code Section 200, <i>Introduction</i>	Proposed Section 300, <i>Application of the Conceptual Framework by Professional Accountants in Public Practice</i>	Comments
<ul style="list-style-type: none"> principles. Policies and procedures that will enable the identification of interests or relationships between the firm or members of engagement teams and clients. Policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single client. Using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to an assurance client. Policies and procedures to prohibit individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement. Timely communication of a firm's policies and procedures, including any changes to them, to all partners and professional staff, and appropriate training and education on such policies and procedures. Designating a member of senior management to be responsible for overseeing the adequate functioning of the firm's quality control system. Advising partners and professional staff of assurance clients and related entities from which independence is required. A disciplinary mechanism to promote compliance with policies and procedures. 	<p>policies and procedures that promote compliance with the fundamental principles.</p> <ul style="list-style-type: none"> Management of the reliance on revenue received from a single client. The engagement partner having authority for compliance with the fundamental principles, including decisions about the permissibility of services to an audit client. Educational, training and experience requirements. Processes to facilitate and address internal and external complaints. 	

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	<ul style="list-style-type: none"> • Published policies and procedures to encourage and empower staff to communicate to senior levels within the firm any issue relating to compliance with the fundamental principles that concerns them. 	
200.13 Examples of engagement-specific safeguards in the work environment include: <ul style="list-style-type: none"> • Having a professional accountant who was not involved with the non-assurance service review the non-assurance work performed or otherwise advise as necessary. • Having a professional accountant who was not a member of the assurance team review the assurance work performed or otherwise advise as necessary. • Consulting an independent third party, such as a committee of independent directors, a professional regulatory body or another professional accountant. • Discussing ethical issues with those charged with governance of the client. • Disclosing to those charged with governance of the client the nature of services provided and extent of fees charged. • Involving another firm to perform or re-perform part of the engagement. • Rotating senior assurance team personnel. 	<p>Addressing Threats</p> <p><i>Examples of Safeguards</i></p> <p>300.2 A9 Safeguards vary depending on the facts and circumstances. The following are examples of actions that in certain circumstances might be safeguards in addressing threats:</p> <ul style="list-style-type: none"> • Having a professional accountant who was not involved with the non-assurance service provided to an audit client review the non-assurance work performed, or otherwise advise as necessary might address a self-review threat. • Having a professional accountant who was not a member of the team review the work performed or otherwise advise as necessary might address self-review threats. • Using different partners and engagement teams with 	Improved examples of safeguards with linkage to threats

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	<p>separate reporting lines for the provision of non-assurance services to an assurance client might address self-review and familiarity threats.</p> <ul style="list-style-type: none"> • Consulting those charged with governance or an independent third party, including a committee of independent directors, a professional regulatory body or another professional accountant might address advocacy or intimidation threats. • Involving another firm to perform or re-perform part of the engagement might address self-interest, self-review, advocacy or familiarity threats. • Rotating assurance team personnel might address self-interest and familiarity threats. 	
200.14 Depending on the nature of the engagement, a professional accountant in public practice may also be able to rely on safeguards that the client has implemented. However it is not possible to rely solely on such safeguards to reduce threats to an acceptable level.	<p>Evaluating Threats</p> <p>300.2 A2 Conditions that might impact the evaluation of whether a threat is at an acceptable level include the nature of:</p> <p>(a) The client and its operating environment;</p>	Safeguards that the client has implemented have been re-characterized as matters that might impact the professional accountant's evaluation

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	<ul style="list-style-type: none"> (b) The professional service being provided; and (c) The firm and its operating environment. 	of the level of a threat.
200.15 Examples of safeguards within the client's systems and procedures include: <ul style="list-style-type: none"> • The client requires persons other than management to ratify or approve the appointment of a firm to perform an engagement. • The client has competent employees with experience and seniority to make managerial decisions. • The client has implemented internal procedures that ensure objective choices in commissioning non-assurance engagements. • The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services. 	<p>Evaluating Threats</p> <p><i>The Client and its Operating Environment</i></p> <p>300.2 A3 The level of a threat might be impacted by the following types of client or professional service that is provided:</p> <ul style="list-style-type: none"> (a) An audit client and whether the audit client is a public interest entity; (b) An assurance client that is not an audit client; or (c) A non-assurance client. <p>For example, providing a service to an audit client might be perceived to result in a higher level of threat to the fundamental principle of objectivity. Such a threat might be further increased when the audit client is a public interest entity with a large number and wide range of stakeholders.</p> <p>300.2 A4 A professional accountant's evaluation of the level of the threat might also be impacted by a client's</p>	Examples of safeguards that the client has implemented have been re-characterized as examples of matters that might impact the professional accountant's evaluation of the level of a threat.

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	<p>operating environment. For example:</p> <ul style="list-style-type: none"> • The client requires appropriate persons other than management to ratify or approve the appointment of a firm to perform an engagement. • The client has competent employees with experience and seniority to make managerial decisions. • The client has implemented internal procedures that facilitate objective choices in tendering non-assurance engagements. <p>The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.</p>	
	<p><i>The Professional Service Being Provided</i></p> <p>300.2 A5 The level of a threat is impacted by the nature and scope of the professional service. Examples of professional services, the threats that might arise as a result, and how a professional accountant may address those threats are discussed in International Independence Standards C1 and C2.</p>	New application material

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	<p>Re-evaluating Threats</p> <p>300.2 A10 New information or changes in facts and circumstances might:</p> <ul style="list-style-type: none"> (a) Impact the level of a threat; or (b) Affect the professional accountant's conclusions about whether safeguards applied continue to be appropriate to address identified threats. <p>300.2 A11 Examples of new information or changes in facts and circumstances include:</p> <ul style="list-style-type: none"> • When the scope of a professional service is expanded. • When the client becomes a listed entity or acquires another business unit. • When the firm merges with another firm. • Where the engagement partner's immediate family member is recently employed by the client. <p>In those situations described above, actions already implemented as safeguards might no longer be</p>	<p>New application material to emphasize the need to re-evaluate threats and to provide examples of factors for determining when to re-evaluate threats</p>

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	effective in eliminating those threats or reducing them to an acceptable level.	
	<p>Overall Assessment</p> <p>300.2A12 When applying the conceptual framework, Section 120 requires that the professional accountant reviews judgments made and overall conclusions reached to determine that threats to compliance with the fundamental principles are eliminated, or reduced to an acceptable level and that no further action is needed. The reasonable and informed third party test described in Section 120 is relevant to this assessment.</p>	New “step-back” requirement