

EXPOSURE DRAFT: PROPOSED RESTRUCTURED CODE (PHASE 1)—MAPPING TABLE

Note: This Mapping Table is a supplement to, and not part of, the [Exposure Draft \(ED\), *Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1*](#). It has been prepared by the Staff of the International Ethics Standards Board For Accountants® (IESBA).

The Mapping Table compares provisions of the extant Code covered in the ED to the proposed restructured Code (Phase 1). The Mapping Table also includes comments to explain the rationale for proposed changes.

A separate [ED, *Proposed Revisions Pertaining to Safeguards in the Code—Phase 1*](#), sets out proposed revisions to the Code developed by the IESBA under its Safeguards project. The extant provisions related to safeguards covered by these proposed revisions have not been included in this mapping table.

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PREFACE			
<p>In the comments column of this mapping table the words “Covered by CF language” are used to describe situations where portions of the text that have been deleted because they repeat that threats shall be evaluated and safeguards applied in specific circumstances. The language used in the ED requires application of the conceptual framework (CF), in relation to any threat. Accordingly, it is no longer necessary for this to be repeated in every paragraph which includes discussion of a threat.</p>			
Preface	The IESBA develops and issues, under its own authority, the Code of Ethics for Professional Accountants (the Code) for use by professional accountants around the world.	The IESBA develops and issues, under its own standard setting authority, the <i>International Code of Ethics Standards for Professional Accountants</i> (the Code), including international independence standards. The Code is for use by professional accountants around the world. The Code is established by IESBA for international application following due process.	Now includes reference to international independence standards.
Preface	A member body of IFAC or firm shall not apply less stringent standards than those stated in this Code. However, if a member body or firm is prohibited from complying with certain parts of this Code by law or regulation, they shall comply with all other parts of this Code.	The International Federation of Accountants (IFAC) establishes separate requirements for its member bodies with respect to the Code.	Extant paragraph replaced with less specific language as a Preface should not impose requirements. See also R100.3
Preface	Some jurisdictions may have requirements and guidance that differ from those contained in this Code. Professional accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirements and guidance unless	100.3 A1 The fundamental principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have requirements and guidance that differ from or go beyond	See comment above.

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	prohibited by law or regulation.	those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirements and guidance unless prohibited by law or regulation.	
PART A – GENERAL APPLICATION OF THE CODE			
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.	<p>100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. A professional accountant’s responsibility is not exclusively to satisfy the needs of an individual client or employer. Therefore, the Code contains requirements and application material for accountants regarding matters that are integral to acting in the public interest.</p> <p>100.3 A professional accountant, acting in the public interest, shall comply with the Code. There might be circumstances when laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.</p> <p>1. The Code sets out fundamental principles of ethics and standards for professional accountants, reflecting the profession’s recognition of its public interest responsibilities. The fundamental principles are: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior. The standards are established by the application of the fundamental principles to specific circumstances.</p>	

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100.2	<p><u>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:</u></p> <p>(a) Identify threats to compliance with the fundamental principles;</p> <p>(b) Evaluate the significance of the threats identified; and</p> <p>(c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>	2. The Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles.	<p>The underlined text is contained in paragraph 4 of the Preface.</p> <p>Paragraphs R120.4 and 120.4A1 also address this material.</p>
100.6	<p>The circumstances in which professional accountants operate may create specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates threats to compliance with the fundamental principles and specify the appropriate action. In addition, the nature of engagements and work assignments may differ and, consequently, different threats may be created, requiring the application of different safeguards.</p>		<p>This paragraph of the extant Code is reflected in 120.5 A1.</p>

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	Therefore, this Code establishes a conceptual framework that requires a professional accountant to identify, evaluate, and address threats to compliance with the fundamental principles. The conceptual framework approach assists professional accountants in complying with the ethical requirements of this Code and meeting their responsibility to act in the public interest. It accommodates many variations in 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.		
		3. In the case of audits, reviews and other assurance engagements, the Code sets out international independence standards established by the application of the fundamental principle of objectivity to these engagements.	This description provides a link between objectivity and independence. See also 112.3 A1 and 400.1.
100.2	See underlined text above.	4. The Code contains this Guide, the following three Parts and a Glossary: <ul style="list-style-type: none"> Part A – <i>Introduction to the Code and Fundamental Principles</i>, which includes the fundamental principles and the conceptual framework, and is applicable to all professional accountants. 	
100.3	Parts B and C describe how the conceptual framework applies in certain situations. They provide	<ul style="list-style-type: none"> Part B – <i>Professional Accountants in Business</i>, which is applicable to professional 	In the ED the order of

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	<p>examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants in public practice. Part C applies to professional accountants in business. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p> <p>Parts B and C describe how the conceptual framework applies in certain situations. They provide examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants in public practice. Part C applies to professional accountants in business. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p>	<p>accountants in business, which include professional accountants employed, engaged or contracted in an executive or non-executive capacity in, for example:</p> <ul style="list-style-type: none"> o Commerce, industry or service. o The public sector. o Education. o The not-for-profit sector. o Regulatory or professional bodies. 	<p>extant Parts B and C has been reversed.</p>
	<p>examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants in public practice. Part C applies to professional accountants in business. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p>	<p>Professional accountants in public practice may also find Part B relevant to their particular circumstances.</p>	<p>From extant Code 100.3</p>
	<p>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>	<ul style="list-style-type: none"> • <i>Part C – Professional Accountants in Public Practice</i>, which is applicable to professional accountants in a firm that provides professional services and the firms in which they practice. Part C includes requirements for all accountants in public practice. It also includes the international independence standards: 	<p>From 100.3.</p>
		<ul style="list-style-type: none"> o <i>C1 – Independence - Audit and Review Engagements</i>, applicable to professional accountants in public practice who perform audits and reviews. o <i>C2 – Independence – Other Assurance Engagements</i>, applicable to professional accountants in public practice who provide assurance services other than audits and reviews. <p>Each part of the Code contains sections which introduce topics. Sections may have subsections dealing with</p>	<p>New Paragraphs.</p>

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		<p>specific aspects of the topic.</p> <p>The <i>Glossary</i> applies to the entire Code and contains defined terms (together with additional explanations where appropriate) and terms which have a specific meaning in certain parts of the Code. For example, as noted in the Glossary, in C1 “audit” is used to refer to both audit and review engagements.</p>	
		<p>5. The content within each of the sections of the Code is, where appropriate, structured as follows:</p> <ul style="list-style-type: none"> • Introduction – sets out the subject matter addressed within the Section, and introduces the requirements and application material in the context of the conceptual framework. • Requirements – establish general and specific obligations with respect to the subject matter addressed, including any specific prohibitions. • Application material – provides guidance to assist in complying with the requirements. 	New Paragraph.
		<p>6. The Code requires professional accountants to comply with the fundamental principles of professional ethics.</p>	New paragraph.
100.4	<p>The use of the word “shall” in this Code imposes a requirement on the professional accountant or firm to comply with the specific provision in which “shall” has been used. Compliance is required unless an exception is permitted by this Code.</p>	<p>7. The word “shall” in the Code imposes an obligation on the professional accountant or firm to comply with the specific provision in which “shall” has been used. “Shall” is used to indicate a requirement and requirements are designated with an “R”.</p>	
		<p>8. In addition to requirements, the Code contains application material that provides context relevant to a proper understanding of the Code. In particular,</p>	New Paragraph.

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		the application material is intended to help the professional accountant to understand how to apply the conceptual framework to a particular set of circumstances or specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework. The entire text of Part A and the relevant Section is required to understand and properly apply that Section. Application material is designated with an “A”.	
		9. Where application material includes lists of examples, these lists are not intended to be read as exhaustive lists of all possibilities or circumstances that might arise.	New paragraph.
		13. Non-authoritative guidance is available on the IESBA website (www.ethicsboard.org) to help users understand aspects of the Code and comply with it.	New paragraph.
100.19	A professional accountant may be required to resolve a conflict in complying with the fundamental principles.	11. A professional accountant might face a situation where compliance with one fundamental principle conflicts with one or more other fundamental principles. In those situations, the accountant is encouraged to consult. Appropriate parties for consultation might include one or more of the following: <ul style="list-style-type: none"> • Others within the firm or employing organization. • Those charged with governance. • A professional body. 	Extant Code paragraphs 100.19, 100.20, 100.21, 100.23 and 100.24 have been reduced to simplify and improve the flow of the text.
100.20	When initiating either a formal or informal conflict resolution process, the following factors, either individually or together with other factors, may be relevant to the resolution process: <ul style="list-style-type: none"> (a) Relevant facts; (b) Ethical issues involved; (c) Fundamental principles related to the matter in question; 		

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	<p>(d) Established internal procedures; and</p> <p>(e) Alternative courses of action.</p> <p>Having considered the relevant factors, a professional accountant shall determine the appropriate course of action, weighing the consequences of each possible course of action. If the matter remains unresolved, the professional accountant may wish to consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.</p>	<ul style="list-style-type: none"> • A regulator. • Legal counsel <p>The accountant is usually able to obtain guidance on ethical issues without breaching the fundamental principle of confidentiality. However, such guidance does not relieve the accountant from the responsibility to apply professional judgment to resolve the conflict or, if necessary, disassociate from the matter creating the conflict.</p>	
100.21	Where a matter involves a conflict with, or within, an organization, a professional accountant shall determine whether to consult with those charged with governance of the organization, such as the board of directors or the audit committee.		See previous note. See previous note.
100.24	If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant shall, where possible, refuse to remain associated with the matter creating the conflict. The professional accountant shall determine whether, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement, the firm or the employing organization.		
100.22	It may be in the best interests of the professional accountant to document the substance of the issue, the details of any discussions held, and the decisions made concerning that issue.	12 A professional accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.	
100.11	When a professional accountant encounters unusual circumstances in which the application of a specific requirement of the Code would result in a	10. A professional accountant might encounter circumstances in which the result of applying a specific requirement of the Code would be	

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	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.	disproportionate or not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional body or a regulator.	
100.23	If a significant conflict cannot be resolved, a professional accountant may consider obtaining professional advice from the relevant professional body or from legal advisors. The professional accountant generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with the relevant professional body on an anonymous basis or with a legal advisor under the protection of legal privilege. Instances in which the professional accountant may consider obtaining legal advice vary. For example, a professional accountant may have encountered a fraud, the reporting of which could breach the professional accountant's responsibility to respect confidentiality. The professional accountant may consider obtaining legal advice in that instance to determine whether there is a requirement to report.		See previous note.
		Appendix 1	New material
		Chart illustrating the structure of the Parts of the Code	See next page. The chart is new material.

PARTS OF THE CODE

GUIDE TO THE CODE (ALL PROFESSIONAL ACCOUNTANTS)

PART A (ALL PROFESSIONAL ACCOUNTANTS)
INTRODUCTION TO THE CODE AND FUNDAMENTAL PRINCIPLES

PART B
PROFESSIONAL ACCOUNTANTS IN BUSINESS

PART C
PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

INTERNATIONAL INDEPENDENCE STANDARDS
C1 – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS
C2 – INDEPENDENCE FOR OTHER ASSURANCE ENGAGEMENTS

GLOSSARY

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SECTION 100 Introduction and Fundamental Principles			
100.1	<p>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.</p>	<p>100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. A professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. Therefore, the Code contains requirements and application material for accountants regarding matters that are integral to acting in the public interest.</p> <p>R100.3 A professional accountant shall, acting in the public interest, comply with the Code. There might be circumstances when laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.</p>	
100.2	<p>This Code contains three parts. Part A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework that professional accountants shall apply to:</p> <ul style="list-style-type: none"> (a) Identify threats to compliance with the fundamental principles; (b) Evaluate the significance of the threats identified; and (c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an 	<p>2. The Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles.</p>	See also 120.2.

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	<p>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>		
100.3	<p>Parts B and C describe how the conceptual framework applies in certain situations. They provide examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants in public practice. Part C applies to professional accountants in business. Professional accountants in public practice may also find Part C relevant to their particular circumstances.</p>	<p>4 The Code contains this Guide, the following three Parts and a Glossary. ...</p> <ul style="list-style-type: none"> • Part B – <i>Professional Accountants in Business</i>, is applicable to professional accountants in business, which include professional accountants employed, engaged or contracted in an executive or non-executive capacity in, for example: <ul style="list-style-type: none"> ○ Commerce, industry or service. ○ The public sector. ○ Education. ○ The not-for-profit sector. ○ Regulatory or professional bodies. Professional accountants in public practice might also find Part B relevant to their particular circumstances. • Part C – <i>Professional Accountants in Public Practice</i>, is applicable to professional 	

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		<p>accountants in a firm that provides professional services and the firms in which they practice. Part C includes requirements for all accountants in public practice and also includes the international independence standards:</p> <ul style="list-style-type: none"> ○ C1 – <i>Independence - Audit and Review Engagements</i>, applicable to professional accountants in public practice who perform audits and reviews. ○ C2 – <i>Independence –Other Assurance Engagements</i>, applicable to professional accountants in public practice who provide assurance services other than audits or reviews. 	
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.	7. The word “shall” in the Code imposes an obligation on the professional accountant or firm to comply with the specific provision in which “shall” has been used. “Shall” is used to indicate a requirement and requirements are designated with an “R”.	
100.5	<p>A professional accountant shall comply with the following fundamental principles:</p> <ul style="list-style-type: none"> (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. 	<p>110.1 There are five fundamental principles of ethics for professional accountants:</p> <ul style="list-style-type: none"> (a) Integrity – to be straightforward and honest in all professional and business relationships. (b) Objectivity – to make professional or business judgments without bias, conflict of interest or undue influence of others. (c) Professional Competence and Due Care – to: 	The “shall” requirement regarding compliance with the fundamental principles is contained in sections 111, 112, 113, 114

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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>(i) Attain and 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</p> <p>(ii) Act diligently and in accordance with applicable technical and professional standards.</p> <p>(d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.</p> <p>(e) Professional Behavior – to comply with relevant laws and regulations and avoid any action that the professional accountant knows or should know might discredit the profession.</p>	and 115.
	Each of these fundamental principles is discussed in more detail in Sections 110–150.	110.2	Subsections 111 to 115 set out requirements and application material related to each of these fundamental principles.	
Paragraphs 100.6 to 100.9 are within the scope of the Safeguards Project – mapping of the text is in the Safeguards Exposure Draft				
100.10	Sections 290 and 291 contain provisions with which a professional accountant shall comply if the professional accountant identifies a breach of an independence provision of the Code. If a professional accountant identifies a breach of	R100.4	A professional accountant who identifies a breach of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountants	

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	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>shall also:</p> <p>(b) Take whatever actions might be available, as soon as possible, to satisfactorily address the consequences of the breach; and</p> <p>(c) Determine whether to report the breach to those who might have been affected by it, a professional body or a regulator.</p>	
		100.4 A1 Subsections 404 and 902 address a breach of an independence requirement.	
100.11	When a professional accountant encounters unusual circumstances in which the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest, it is recommended that the professional accountant consult with a member body or the relevant regulator.		This paragraph is covered in the Guide to the Code paragraph 10.
Paragraphs 100.12 to 100.16 are within the scope of the Safeguards Project – see Safeguards Mapping Table			
100.17	<p>A professional accountant may be faced with a conflict of interest when undertaking a professional activity. A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles. Such threats may be created when:</p> <ul style="list-style-type: none"> The professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in 		This material is addressed within Conflicts of Interest sections in Parts B and C. The related content for PAIPP can be found in paragraph 310.2 This change is to

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	<p>conflict; or</p> <ul style="list-style-type: none"> • The interests of the professional accountant with respect to a particular matter and the interests of a party for whom the professional accountant undertakes a professional activity related to that matter are in conflict. 		<p>avoid unnecessary repetition.</p>
100.18	<p>Parts B and C of this Code discuss conflicts of interest for professional accountants in public practice and professional accountants in business, respectively.</p>		<p>Cross reference paragraph no longer required.</p>
100.19	<p>A professional accountant may be required to resolve a conflict in complying with the fundamental principles.</p>		<p>Covered in the Guide to the Code paragraph 11.</p>
100.20	<p>When initiating either a formal or informal conflict resolution process, the following factors, either individually or together with other factors, may be relevant to the resolution process:</p> <ul style="list-style-type: none"> (a) Relevant facts; (b) Ethical issues involved; (c) Fundamental principles related to the matter in question; (d) Established internal procedures; and (e) Alternative courses of action. <p>Having considered the relevant factors, a professional accountant shall determine the appropriate course of action, weighing the consequences of each possible course of action. If the matter remains unresolved, the</p>		<p>Covered in the Guide to the Code paragraph 11.</p>

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	professional accountant may wish to consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.		
100.21	Where a matter involves a conflict with, or within, an organization, a professional accountant shall determine whether to consult with those charged with governance of the organization, such as the board of directors or the audit committee.		Covered in the Guide to the Code paragraph 11.
100.22	It may be in the best interests of the professional accountant to document the substance of the issue, the details of any discussions held, and the decisions made concerning that issue.		This paragraph is covered in the Guide to the Code paragraph 12.
100.23	If a significant conflict cannot be resolved, a professional accountant may consider obtaining professional advice from the relevant professional body or from legal advisors. The professional accountant generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with the relevant professional body on an anonymous basis or with a legal advisor under the protection of legal privilege. Instances in which the professional accountant may consider obtaining legal advice vary. For example, a professional accountant may have encountered a fraud, the reporting of which could breach the professional accountant's responsibility to respect confidentiality. The professional accountant may		Covered in the Guide to the Code paragraph 11.

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	consider obtaining legal advice in that instance to determine whether there is a requirement to report.			
100.24	If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant shall, where possible, refuse to remain associated with the matter creating the conflict. The professional accountant shall determine whether, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement, the firm or the employing organization.			Covered in the Guide to the Code paragraph 11.
100.25	When communicating with those charged with governance in accordance with the provisions of this Code, the professional accountant or firm shall determine, having regard to the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the professional accountant or firm communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, the professional accountant or firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.			Paragraph 100.25 has been removed from Part A and is to be included in both Part B and Part C (R300.3, 300.3 A1 and A2).
SECTION 110 Integrity				
110.1	The principle of integrity imposes an obligation on all professional accountants to be	R111.1	A professional accountant shall comply with the fundamental principle of integrity which	

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	straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness.		requires an accountant to be straightforward and honest in all professional and business relationships.	
		111.1 A1	Integrity implies fair dealing and truthfulness.	
110.2	<p>A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:</p> <p>(a) Contains a materially false or misleading statement;</p> <p>(b) Contains statements or information furnished recklessly; or</p> <p>(c) Omits or obscures information required to be included where such omission or obscurity would be misleading.</p>	R111.2	<p>A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:</p> <p>(a) Contains a materially false or misleading statement;</p> <p>(b) Contains statements or information provided recklessly; or</p> <p>(c) Omits or obscures required information where such omission or obscurity would be misleading.</p>	
	When a professional accountant becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information.	R111.3	When a professional accountant becomes aware of having been associated with information described in R111.2, the accountant shall take steps to be disassociated from that information.	
110.3	A professional accountant will be deemed not to be in breach of paragraph 110.2 if the professional accountant provides a modified report in respect of a matter contained in paragraph 110.2.	111.3 A1	The professional accountant is not in breach of R111.3 if a modified report is provided in respect of the information described in R111.2.	
SECTION 120 Objectivity				
120.1	The principle of objectivity imposes an obligation on all professional accountants not to	R112.1	A professional accountant shall comply with the fundamental principle of objectivity which	

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	compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.		requires an accountant to make professional or business judgments without bias, conflict of interest or undue influence of others.	
120.2	A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. A professional accountant shall not perform a professional activity or service if a circumstance or relationship biases or unduly influences the accountant's professional judgment with respect to that service.	R112.2	A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.	
SECTION 130 Professional Competence and Due Care				
130.1	<p>The principle of professional competence and due care imposes the following obligations on all professional accountants:</p> <p>(a) To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; and</p> <p>(b) To act diligently in accordance with applicable technical and professional standards when performing professional activities or providing professional services.</p>	R113.1	<p>A professional accountant shall comply with the fundamental principle of professional competence and due care which requires an accountant to:</p> <p>(a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service, <u>based on current developments in practice, legislation and techniques</u>; and</p> <p>(b) Act diligently and in accordance with applicable technical and professional standards.</p>	Underlined text included to be consistent with language in 110.1(c) which is derived from extant Code paragraph 100.5
130.2	Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional	113.1 A1	Serving clients and employers with professional competence requires the exercise of sound judgment in applying professional knowledge and skill when	130.2(a) and (b) are covered in R113.1.

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	<p>competence may be divided into two separate phases:</p> <p>(a) Attainment of professional competence; and</p> <p>(b) Maintenance of professional competence.</p>	undertaking professional activities.	
130.3	The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.	113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.	
130.4	Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.	113.1 A3 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.	
130.5	A professional accountant shall take reasonable steps to ensure that those working under the professional accountant's authority in a professional capacity have appropriate training and supervision.	R113.2 In complying with the fundamental principle of professional competence and due care, a professional accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.	
130.6	Where appropriate, a professional accountant shall make clients, employers or other users of the accountant's professional services or activities aware of the limitations inherent in the services or activities.	R113.3 Where appropriate, a professional accountant shall make clients, employers, or other users of the accountant's professional services or activities, aware of the limitations inherent in the services or activities.	

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SECTION 140 Confidentiality			
140.1	<p>The principle of confidentiality imposes an obligation on all professional accountants to refrain from:</p> <p>(a) Disclosing outside the firm or employing organization confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and</p> <p>(b) Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.</p>	<p>R114.1 A professional accountant shall comply with the fundamental principle of confidentiality which requires an accountant to respect the confidentiality of information acquired as a result of professional and business relationships. An accountant shall: ...</p> <p>(d) Not disclose confidential information acquired as a result of professional and business relationships to third parties without proper and specific authority, unless there is a legal or professional duty or right to disclose;</p> <p>(e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;</p>	
140.2	<p>A professional accountant shall maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.</p>	<p>R114.1An accountant shall:</p> <p>(a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or a close or immediate family member;</p>	
140.3	<p>A professional accountant shall maintain confidentiality of information disclosed by a prospective client or employer.</p>	<p>(c) Maintain confidentiality of information disclosed by a prospective client or employer;</p>	
140.4	<p>A professional accountant shall maintain confidentiality of information within the firm or employing organization.</p>	<p>(b) Maintain confidentiality of information within the firm or employing organization;</p>	

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140.5	A professional accountant shall take reasonable steps to ensure that staff under the professional accountant's control and persons from whom advice and assistance is obtained respect the professional accountant's duty of confidentiality.	(g) Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance is obtained, respect the accountant's duty of confidentiality.	
140.6	The need to comply with the principle of confidentiality continues even after the end of relationships between a professional accountant and a client or employer. When a professional accountant changes employment or acquires a new client, the professional accountant is entitled to use prior experience. The professional accountant shall not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.	R114.1 ...An accountant shall: (f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after the business or personal relationship has ended; and...	
		114.1 A1 The requirement to comply with the principle of confidentiality continues even after the end of the relationship between a professional accountant and a client or employer. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but may not use or disclose any confidential information acquired or received as a result of a professional or business relationship.	
140.7	The following are circumstances where professional accountants are or may be required to disclose confidential information or when such disclosure may be appropriate: (a) Disclosure is permitted by law and is authorized by the client or the employer; (b) Disclosure is required by law, for example:	114.1 A2 The following are circumstances where professional accountants might be required to disclose confidential information or when such disclosure might be appropriate: (a) Disclosure is required by law, for example: • Production of documents or other	

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Extant Code		Exposure Draft	Comments
	<ul style="list-style-type: none"> (i) Production of documents or other provision of evidence in the course of legal proceedings; or (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and (c) There is a professional duty or right to disclose, when not prohibited by law: <ul style="list-style-type: none"> (i) To comply with the quality review of a member body or professional body; (ii) To respond to an inquiry or investigation by a member body or regulatory body; (iii) To protect the professional interests of a professional accountant in legal proceedings; or (iv) To comply with technical standards and ethics requirements. 	<p>provision of evidence in the course of legal proceedings; or</p> <ul style="list-style-type: none"> • Disclosure to the appropriate public authorities of infringements of the law that come to light; <ul style="list-style-type: none"> (b) Disclosure is permitted by law and is authorized by the client or the employer; and (c) There is a professional duty or right to disclose, when not prohibited by law: <ul style="list-style-type: none"> (i) To comply with the quality review of a professional body; (ii) To respond to an inquiry or investigation by a professional or regulatory body; (iii) To protect the professional interests of an accountant in legal proceedings; or (iv) To comply with technical standards and ethics requirements. 	
140.8	<p>In deciding whether to disclose confidential information, relevant factors to consider include:</p> <ul style="list-style-type: none"> • Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the professional accountant. 	<p>114.1 A3 In deciding whether to disclose confidential information in such circumstances, factors to consider include:</p> <ul style="list-style-type: none"> • Whether the interests of all parties, including third parties whose interests might be affected, could be harmed if the client or employer consents to the disclosure of information by the 	<p>The requirement to apply professional judgment (in the underlined text) is required by the application of the conceptual</p>

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Extant Code		Exposure Draft	Comments
	<ul style="list-style-type: none"> Whether all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, <u>professional judgment shall be used in determining the type of disclosure to be made</u>, if any. The type of communication that is expected and to whom it is addressed. Whether the parties to whom the communication is addressed are appropriate recipients. 	<p>professional accountant.</p> <ul style="list-style-type: none"> Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include: <ul style="list-style-type: none"> Unsubstantiated facts. Incomplete information. Unsubstantiated conclusions. The proposed type of communication, and to whom it is addressed. Whether the parties to whom the communication is addressed are appropriate recipients. 	<p>framework.</p>
SECTION 150 Professional Behavior			
150.1	<p>The principle of professional behavior imposes an obligation on all professional accountants to comply with relevant laws and regulations and avoid any action that the professional accountant knows or should know may discredit the profession. This includes actions that 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 adversely affects the good reputation of the profession.</p>	<p>R115.1 A professional accountant shall comply with the fundamental principle of professional behavior which requires an accountant to comply with relevant laws and regulations and avoid any action that the accountant knows or should know might discredit the profession.</p> <p>115.1 A1 Actions that might discredit the profession include actions that a reasonable and informed third party would be likely to conclude adversely affect the good reputation of the profession.</p>	

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150.2	<p>In marketing and promoting themselves and their work, professional accountants shall not bring the profession into disrepute. Professional accountants shall be honest and truthful and not:</p> <p>(a) Make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or</p> <p>(b) Make disparaging references or unsubstantiated comparisons to the work of others.</p>	<p>R115.2 When marketing or promoting themselves and their work, professional accountants shall not bring the profession into disrepute. Accountants shall be honest and truthful and shall not make:</p> <p>(a) Exaggerated claims for the services they are able to offer, their qualifications, or their experience; or</p> <p>(b) Disparaging references or unsubstantiated comparisons to the work of others</p>	
Extant Code		Exposure Draft	Comments
SECTION 200 Introduction			
200.1	<p>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>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 accountants 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>	

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200.2	A professional accountant in public practice shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.	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.	This specific text from the extant Code is not included in the draft ED because it is implied within the overarching requirement to comply with the fundamental principles.
Paragraphs 200.3 to 200.15 are within the scope of the Safeguards Project – see Safeguards Mapping Table				
SECTION 210 Professional Appointment				
210.1	Before accepting a new client relationship, a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behavior may be created from, for example, questionable issues associated with the client (its owners, management or activities).	R320.3	A professional accountant shall apply the conceptual framework set out in Section 120 to a professional appointment.	
		320.2	Accepting a new client or a new engagement might create threats to compliance with the fundamental principles.	
210.2	Client issues that, if known, could threaten compliance with the fundamental principles include, for example, client involvement in illegal activities (such as money laundering), dishonesty or questionable financial reporting practices.	320.3 A1	In some circumstances, acceptance of a new client relationship might create threats to integrity or professional behavior. This might arise, for example, where the client, its owners or management are involved in illegal activities, dishonesty or questionable financial reporting practices.	
210.3	A professional accountant in public practice shall evaluate the significance of any threats and	R320.3	A professional accountant shall apply the conceptual framework set out in Section 120	Covered by CF language.

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	<p>apply safeguards when necessary to eliminate them or reduce them to an acceptable level.</p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Obtaining knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities; or <p>Securing the client's commitment to improve corporate governance practices or internal controls.</p>	<p>to a professional appointment.</p> <p>320.3 A2... Examples of safeguards include:</p> <ul style="list-style-type: none"> • Obtaining knowledge and understanding of the client, its owners, managers and those charged with governance and business activities. • Obtaining the client's commitment to improve corporate governance practices or internal controls. 	
210.4	<p>Where it is not possible to reduce the threats to an acceptable level, the professional accountant in public practice shall decline to enter into the client relationship.</p>		<p>Covered by CF language.</p>
210.5	<p>It is recommended that a professional accountant in public practice periodically review acceptance decisions for recurring client engagements.</p>	<p>320.3 A3 A professional accountant is encouraged to conduct periodic reviews of acceptance decisions for recurring client engagements.</p>	<p>The IESBA believes that “it is recommended” encourages but does not require action.</p>
210.6	<p>The fundamental principle of professional competence and due care imposes an obligation on a professional accountant in public practice to provide only those services that the professional accountant in public practice is competent to perform. Before accepting a specific client engagement, a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. For</p>	<p>320.3 A4 A self-interest threat to professional competence and due care is created if the engagement team does not possess, or acquire, the competencies to perform the professional services.</p>	

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	<p>example, a self-interest threat to professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement.</p>		
210.7	<p>A professional accountant in public practice shall evaluate the significance of threats and apply safeguards, when necessary, to eliminate them or reduce them to an acceptable level.</p>		Covered by CF language.
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Acquiring an appropriate understanding of the nature of the client’s business, the complexity of its operations, the specific requirements of the engagement and the purpose, nature and scope of the work to be performed; • Acquiring knowledge of relevant industries or subject matters; • Possessing or obtaining experience with relevant regulatory or reporting requirements; • Assigning sufficient staff with the necessary competencies; • Using experts where necessary; • Agreeing on a realistic time frame for the performance of the engagement; or • Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when 	<p>320.3 A5 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Acquiring an appropriate understanding of: <ul style="list-style-type: none"> o The nature of the client’s business; o The complexity of its operations; o The requirements of the engagement; and o The purpose, nature and scope of the work to be performed. • Acquiring knowledge of relevant industries or subject matters. • Possessing or obtaining experience with relevant regulatory or reporting requirements. • Assigning sufficient engagement personnel with the necessary competencies. • Agreeing on a realistic time frame for the performance of the engagement. 	

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	they can be performed competently.	<ul style="list-style-type: none"> Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently. Using experts where necessary. 	
210.8	When a professional accountant in public practice intends to rely on the advice or work of an expert, the professional accountant in public practice shall determine whether such reliance is warranted.	R320.7 When a professional accountant intends to use the work of an expert, the accountant shall determine whether the use is warranted.	“Rely” in extant Code replaced with “use” to conform to ISA 620 wording.
	Factors to consider include: reputation, expertise, resources available and applicable professional and ethical standards. Such information may be gained from prior association with the expert or from consulting others.	320.7 A1 Factors to consider when a professional accountant intends to use the work of an expert include: reputation; expertise; resources available; and professional and ethical standards. This information might be gained from prior association with the expert or from consulting others.	
210.9	A professional accountant in public practice who is asked to replace another professional accountant in public practice, or who is considering tendering for an engagement currently held by another professional accountant in public practice, shall determine whether ...	R320.4 A professional accountant shall determine whether there are any reasons, professional or otherwise, for not accepting an engagement when the accountant: <ul style="list-style-type: none"> (a) Is asked by a potential client to replace another accountant; (b) Considers tendering for an engagement held by another accountant; or (c) <u>Considers undertaking work that is complementary or additional to that of another accountant.</u> 	Underlined additional text is derived from extant 210.12.

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	... there are any reasons, professional or otherwise, for not accepting the engagement, such as circumstances that create threats to compliance with the fundamental principles that cannot be eliminated or reduced to an acceptable level by the application of safeguards. For example, there may be a threat to professional competence and due care if a professional accountant in public practice accepts the engagement before knowing all the pertinent facts.	320.4 A1	There might be reasons, professional or otherwise, for not accepting an engagement. Such reasons might include circumstances that create threats to compliance with the fundamental principles that cannot be eliminated or reduced to an acceptable level by the application of safeguards. For example, there might be a threat to professional competence and due care if a professional accountant accepts the engagement before knowing all the relevant facts.	
210.10	A professional accountant in public practice shall evaluate the significance of any threats. Depending on the nature of the engagement, this may require direct communication with the existing accountant to establish the facts and circumstances regarding the proposed change so that the professional accountant in public practice can decide whether it would be appropriate to accept the engagement. For example, the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with the existing accountant that may influence the decision to accept the appointment.	320.4 A4	Depending on the nature of the engagement, direct communication with the existing accountant might be needed to establish the circumstances regarding a proposed change in appointment. Such communication might assist a professional accountant to decide whether it would be appropriate to accept the engagement. For example, the apparent reason for the change in appointment might not fully reflect the facts. It might indicate disagreements with the existing accountant that might influence the decision to accept the appointment.	Covered by CF language.
210.11	Safeguards shall be applied when necessary to eliminate any threats or reduce them to an acceptable level.	320.4 A2	If a professional accountant is asked to undertake work that is complementary or additional to the work of an existing accountant, threats to professional competence and due care might result, for	Covered by CF language.

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<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • When replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the existing accountant will be requested so that inquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted; • Asking the existing accountant to provide known information on any facts or circumstances that, in the existing accountant's opinion, the proposed accountant needs to be aware of before deciding whether to accept the engagement; or • Obtaining necessary information from other sources. <p>When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in public practice shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.</p>	<p style="text-align: center;">example, from incomplete information.</p> <p>320.4 A3 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Stating in tenders that, before accepting the engagement, contact with the existing accountant will be requested. This contact gives the proposed professional accountant the opportunity to inquire whether there are any reasons why the appointment should not be accepted. • Asking the existing accountant to provide any known information that, in the existing accountant's opinion, the proposed professional accountant needs to be aware of before deciding whether to accept the engagement. • <u>Obtaining information from other sources such as through inquiries of third parties or background investigations of senior management or those charged with governance of the client.</u> 	<p>Underlined text is derived from extant 210.14.</p>
<p>210.12</p> <p>A professional accountant in public practice may be asked to undertake work that is complementary or additional to the work of the existing accountant. Such circumstances may create threats to professional competence and due care resulting from, for example, a lack of or</p>	<p>R320.4 A professional accountant shall determine whether there are any reasons, professional or otherwise, for not accepting an engagement when the accountant: ...</p> <p>(c) Considers undertaking work that is complementary or additional to that of</p>	

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	incomplete information. The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is notifying the existing accountant of the proposed work, which would give the existing accountant the opportunity to provide any relevant information needed for the proper conduct of the work.		another accountant.	
		320.4 A3	<i>... Asking the existing accountant to provide any known information that, in the existing accountant's opinion, the proposed professional accountant needs to be aware of before deciding whether to accept the engagement.</i>	
210.13	An existing accountant is bound by confidentiality. Whether that professional accountant is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and on: (a) Whether the client's permission to do so has been obtained; or (b) The legal or ethical requirements relating to such communications and disclosure, which may vary by jurisdiction.	320.6 A1	An existing professional accountant is bound by confidentiality. Whether this accountant is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and: (a) Whether the accountant has permission from the client for the discussion; or (b) The legal and ethical requirements relating to such communications and disclosure, which might vary by jurisdiction.	
	Circumstances where the professional accountant is or may be required to disclose confidential information or where such disclosure may otherwise be appropriate are set out in Section 140 of Part A of this Code.	320.6 A2	Circumstances where a professional accountant might be required to disclose confidential information, or when disclosure might be appropriate, are set out in paragraph 114.1 A2 of the Code.	
210.14	A professional accountant in public practice will generally need to obtain the client's permission, preferably in writing, to initiate discussion with	320.4 A5	A professional accountant will usually need the client's permission, preferably in writing, to initiate discussions with the existing	

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	<p>an existing accountant. Once that permission is obtained, the existing accountant shall comply with relevant legal and other regulations governing such requests. Where the existing accountant provides information, it shall be provided honestly and unambiguously. If the proposed accountant is unable to communicate with the existing accountant, the proposed accountant shall take reasonable steps to obtain information about any possible threats by other means, such as through inquiries of third parties or background investigations of senior management or those charged with governance of the client.</p>	<p>accountant.</p>	
		<p>R320.6 When an existing professional accountant is asked to respond to a communication from a proposed accountant, the existing accountant shall:</p> <ul style="list-style-type: none"> (a) Comply with relevant law and regulation governing the request; and (b) Provide any information honestly and unambiguously. 	
		<p>R320.5 If unable to communicate with the existing accountant, the proposed professional accountant shall take other reasonable steps to obtain information about any possible threats to compliance with the fundamental principles.</p>	
		<p>320.4 A3</p> <p>Examples of safeguards include:</p> <p>Obtaining information from other sources such as through inquiries of third parties or background investigations of senior management or those charged with governance of the client.</p>	
SECTION 220 Conflicts of Interest			
220.1	<p>A professional accountant in public practice may be faced with a conflict of interest when performing a professional service. A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles.</p>	<p>310.2 Professional accountants might face circumstances that create a conflict of interest. A conflict of interest creates a threat to objectivity and might create threats to the other fundamental principles.</p>	
	<p>Such threats may be created when:</p>	<p>310.3 Such threats might be created when:</p>	

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<ul style="list-style-type: none"> • The professional accountant provides a professional service related to a particular matter for two or more clients whose interests with respect to that matter are in conflict; or • The interests of the professional accountant with respect to a particular matter and the interests of the client for whom the professional accountant provides a professional service related to that matter are in conflict. <p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p> <p>When the professional service is an assurance service, compliance with the fundamental principle of objectivity also requires being independent of assurance clients in accordance with Sections 290 or 291 as appropriate.</p>	<p>(a) The professional accountant provides a professional service related to a particular matter for two or more clients whose interests with respect to that matter are in conflict; or</p> <p>(b) The interests of the accountant with respect to a particular matter and the interests of the client for whom the accountant provides a professional service related to that matter are in conflict.</p> <p>R310.6 A professional accountant shall apply the conceptual framework set out in Section 120 and shall not allow a conflict of interest to compromise professional or business judgment.</p> <p>310.5 When a professional accountant provides an audit, review or other assurance service, compliance with the fundamental principle of objectivity also requires independence in accordance with C1 and C2, as appropriate.</p>	
<p>220.2</p> <p>Examples of situations in which conflicts of interest may arise include:</p> <ul style="list-style-type: none"> • Providing a transaction advisory service to a client seeking to acquire an audit client of the firm, where the firm has obtained confidential information during the course of the audit that may be relevant to the transaction. • Advising two clients at the same time who are competing to acquire the same 	<p>310.4 Examples of circumstances that might create a conflict of interest include:</p> <ul style="list-style-type: none"> • Providing a transaction advisory service to a client seeking to acquire an audit client, where the firm has obtained confidential information during the course of the audit that might be relevant to the transaction. • Providing advice to two clients at the same time where the clients are competing to acquire the same company and the advice 	

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

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	product or service while having a royalty or commission agreement with one of the potential vendors of that product or service.	of that product or service.	
220.3	When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing safeguards, when necessary, to eliminate or reduce any threat to compliance with the fundamental principles to an acceptable level, a professional accountant in public practice shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that compliance with the fundamental principles is not compromised.	<p>R310.7 Before accepting a new client relationship, engagement, or business relationship, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest...</p> <p>310.10 A1 In applying the conceptual framework when evaluating a threat created by a conflict of interest, factors to consider include the significance of:</p> <ul style="list-style-type: none"> (a) The interests or relationships; and (b) The threats created by performing the professional services. 	
220.4	When addressing conflicts of interest, including making disclosures or sharing information within the firm or network and seeking guidance of third parties, the professional accountant in public practice shall remain alert to the fundamental principle of confidentiality.	R310.13 A professional accountant shall remain alert to the fundamental principle of confidentiality including when making disclosures or sharing information within the firm or network and seeking guidance of third parties.	
220.5	If the threat created by a conflict of interest is not at an acceptable level, the professional accountant in public practice shall apply safeguards to eliminate the threat or reduce it to an acceptable level. If safeguards cannot reduce the threat to an acceptable level, the professional accountant shall decline to perform or shall discontinue professional services that would result in the conflict of interest; or shall		Covered by CF language.

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	terminate relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.			
220.6	<p>Before accepting a new client relationship, engagement, or business relationship, a professional accountant in public practice shall take reasonable steps to identify circumstances that might create a conflict of interest, including identification of:</p> <ul style="list-style-type: none"> • The nature of the relevant interests and relationships between the parties involved; and • The nature of the service and its implication for relevant parties. 	R310.7	<p>Before accepting a new client relationship, engagement, or business relationship, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, including identifying:</p> <ul style="list-style-type: none"> (a) The nature of the relevant interests and relationships between the parties involved; and (b) The service and its implication for relevant parties. 	
	<p>The nature of the services and the relevant interests and relationships may change during the course of the engagement. This is particularly true when a professional accountant is asked to conduct an engagement in a situation that may become adversarial, even though the parties who engage the professional accountant may not initially be involved in a dispute. The professional accountant shall remain alert to such changes for the purpose of identifying circumstances that might create a conflict of interest.</p>	<p>310.8 A1</p> <p>The nature of the services and the interests and relationships might change during the engagement. This is often true in a situation that might become adversarial, although there is no dispute when the engagement begins.</p>	R310.8	<p>A professional accountant shall remain alert to changes in the circumstances that might create a conflict of interest during an engagement.</p>
220.7	For the purpose of identifying interests and relationships that might create a conflict of interest, having an effective conflict identification process assists a professional accountant in public practice to identify actual or potential	310.7 A1	Professional accountants are assisted by having an effective conflict identification process in place. Such a process includes addressing matters identified by external parties, for example clients or potential	

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	<p>conflicts of interest prior to determining whether to accept an engagement and throughout an engagement. This includes matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the professional accountant being able to apply safeguards, when necessary, to eliminate the threat to objectivity and any threat to compliance with other fundamental principles or reduce it to an acceptable level.</p>		<p>clients. A conflict identification process assists an accountant to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the engagement. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the accountant being able to apply safeguards to eliminate the threat.</p>	
	<p>The process to identify actual or potential conflicts of interest will depend on such factors as:</p> <ul style="list-style-type: none"> • The nature of the professional services provided. • The size of the firm. • The size and nature of the client base. <p>The structure of the firm, for example, the number and geographic location of offices.</p>		<p>The process to identify actual or potential conflicts of interest will depend on such factors as:</p> <ul style="list-style-type: none"> • The nature of the professional services provided. • The size of the firm. • The size and nature of the client base. • The structure of the firm, for example, the number and geographic location of offices. 	
220.8	<p>If the firm is a member of a network, conflict identification shall include any conflicts of interest that the professional accountant in public practice has reason to believe may exist or might arise due to interests and relationships of a network firm.</p>	R310.9	<p>If the firm is a member of a network, the professional accountant shall consider conflicts of interest that the accountant has reason to believe might exist or arise due to interests and relationships of a network firm.</p>	
	<p>Reasonable steps to identify such interests and relationships involving a network firm will depend on factors such as the nature of the</p>	310.9 A1	<p>Reasonable steps to identify interests and relationships involving a network firm will depend on factors such as:</p>	

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	professional services provided, the clients served by the network and the geographic locations of all relevant parties.	<ul style="list-style-type: none"> The nature of the professional services provided. The clients served by the network. The geographic locations of all relevant parties. 	
220.9	<p>If a conflict of interest is identified, the professional accountant in public practice shall evaluate:</p> <ul style="list-style-type: none"> The significance of relevant interests or relationships; and The significance of the threats created by performing the professional service or services. 	<p>310.10 A1 In applying the conceptual framework when evaluating a threat created by a conflict of interest, factors to consider include the significance of:</p> <ul style="list-style-type: none"> The interests or relationships; and The threats created by performing the professional services. 	Covered by CF language
	<p>In general, the more direct the connection between the professional service and the matter on which the parties' interests are in conflict, the more significant the threat to objectivity and compliance with the other fundamental principles will be.</p>	<p>310.10 A2 In general, the more direct the connection between the professional service and the matter on which the parties' interests conflict, the more significant the threat to objectivity and compliance with the other fundamental principles will be.</p>	
220.10	<p>The professional accountant in public practice shall apply safeguards, when necessary, to eliminate the threats to compliance with the fundamental principles created by the conflict of interest or reduce them to an acceptable level.</p>		Covered by CF language.
	<p>Examples of safeguards include:</p> <ul style="list-style-type: none"> Implementing mechanisms to prevent unauthorized disclosure of confidential information when performing professional services related to a particular matter for two or more clients whose interests with 	<p>310.10 A3 Examples of safeguards include:</p> <ul style="list-style-type: none"> Implementing measures to prevent unauthorized disclosure of confidential information, when performing professional services related to a particular matter for two or more clients 	

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<p>respect to that matter are in conflict. This could include:</p> <ul style="list-style-type: none"> (i) Using separate engagement teams who are provided with clear policies and procedures on maintaining confidentiality. (ii) Creating separate areas of practice for specialty functions within the firm, which may act as a barrier to the passing of confidential client information from one practice area to another within a firm. (iii) Establishing policies and procedures to limit access to client files, the use of confidentiality agreements signed by employees and partners of the firm and/or the physical and electronic separation of confidential information. <ul style="list-style-type: none"> • Regular review of the application of safeguards by a senior individual not involved with the client engagement or engagements. • Having a professional accountant who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and conclusions are appropriate. • Consulting with third parties, such as a professional body, legal counsel or another 	<p>whose interests with respect to that matter are in conflict. This could include:</p> <ul style="list-style-type: none"> ○ Using separate engagement teams who are provided with clear policies and procedures on maintaining confidentiality. ○ Creating separate practice areas for specialty functions within the firm, which might act as a barrier to the passing of confidential client information between practice areas. ○ Establishing policies and procedures to limit access to client files. ○ Using confidentiality agreements signed by personnel and partners of the firm. ○ Separating confidential information physically and electronically. <ul style="list-style-type: none"> • Reviewing regularly the application of safeguards by a senior individual not involved with the client engagement or engagements. • Having a professional accountant who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and 	

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	professional accountant.	<p>conclusions are appropriate.</p> <ul style="list-style-type: none"> Consulting third parties, such as a professional body, legal counsel or another professional accountant. 	
220.11	In addition, it is generally necessary to disclose the nature of the conflict of interest and the related safeguards, if any, to clients affected by the conflict and, when safeguards are required to reduce the threat to an acceptable level, to obtain their consent to the professional accountant in public practice performing the professional services.	<p>310.11 A2 It is generally necessary:</p> <p>(a) To disclose the nature of the conflict of interest and any related safeguards to clients affected by the conflict; and</p> <p>(b) When safeguards are required to reduce the threat to an acceptable level, to obtain the consent of the affected clients to perform the professional services.</p>	The IESBA believes that “generally” sets the proper level of rigor with necessary flexibility to exercise judgment.
	<p>Disclosure and consent may take different forms, for example:</p> <ul style="list-style-type: none"> General disclosure to clients of circumstances where the professional accountant, in keeping with common commercial practice, does not provide services exclusively for any one client (for example, in a particular service in a particular market sector) in order for the client to provide general consent accordingly. Such disclosure might, for example, be made in the professional accountant’s standard terms and conditions for the engagement. Specific disclosure to affected clients of the circumstances of the particular conflict, including a detailed presentation of the situation and a comprehensive 	<p>310.11 A3 Disclosure and consent might take different forms, for example:</p> <ul style="list-style-type: none"> General disclosure to clients of circumstances where, as is common commercial practice, the professional accountant does not provide professional services exclusively to any one client (for example, in a particular professional service and market sector) in order for the client to provide general consent accordingly. For example, an accountant might make general disclosure in the standard terms and conditions for the engagement. Specific disclosure to affected clients of the circumstances of the particular conflict in sufficient detail to enable the 	

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	<p>explanation of any planned safeguards and the risks involved, sufficient to enable the client to make an informed decision with respect to the matter and to provide explicit consent accordingly.</p> <ul style="list-style-type: none"> In certain circumstances, consent may be implied by the client’s conduct where the professional accountant has sufficient evidence to conclude that clients know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict. 	<p>client to make an informed decision about the matter and to provide explicit consent accordingly. Such disclosure might include a detailed presentation of the circumstances and a comprehensive explanation of any planned safeguards and the risks involved.</p> <ul style="list-style-type: none"> Consent might be implied by clients’ conduct in circumstances where the professional accountant has sufficient evidence to conclude that clients know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict. 	
	<p>The professional accountant shall determine whether the nature and significance of the conflict of interest is such that specific disclosure and explicit consent is necessary. For this purpose, the professional accountant shall exercise professional judgment in weighing the outcome of the evaluation of the circumstances that create a conflict of interest, including the parties that might be affected, the nature of the issues that might arise and the potential for the particular matter to develop in an unexpected manner</p>	<p>310.11 A1 When determining whether specific disclosure and explicit consent are necessary, the conceptual framework requires the professional accountant to exercise professional judgment and consider all the circumstances that create a conflict of interest. Factors to consider include: the parties that might be affected; the nature of the issues that might arise; and the potential for the particular matter to develop in an unexpected manner.</p>	<p>Covered by CF language</p>
220.12	<p>Where a professional accountant in public practice has requested explicit consent from a client and that consent has been refused by the</p>	<p>R310.12 If a professional accountant has determined that explicit consent is necessary in accordance with paragraph R310.11 and the</p>	

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	<p>client, the professional accountant shall decline to perform or shall discontinue professional services that would result in the conflict of interest; or shall terminate relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level, such that consent can be obtained, after applying any additional safeguards if necessary.</p>	<p>client has refused, the accountant shall either:</p> <p>(a) Decline to perform or discontinue professional services that would result in the conflict of interest; or</p> <p>(b) End relevant relationships, or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level, so that consent can be obtained, after applying any additional safeguards if necessary.</p>	
220.13	<p>When disclosure is verbal, or consent is verbal or implied, the professional accountant in public practice is encouraged to document the nature of the circumstances giving rise to the conflict of interest, the safeguards applied to reduce the threats to an acceptable level and the consent obtained.</p>	<p>310.11 A4 If disclosure or consent is not in writing, the professional accountant is encouraged to document:</p> <p>(a) The nature of the circumstances giving rise to the conflict of interest;</p> <p>(b) The safeguards applied to reduce the threats to an acceptable level; and</p> <p>(c) The consent obtained.</p>	<p>The IESBA believes that the intention of the extant Code is not to create a requirement.</p>
220.14	<p>In certain circumstances, making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality. Examples of such circumstances may include:</p> <ul style="list-style-type: none"> • Performing a transaction-related service for a client in connection with a hostile takeover of another client of the firm. • Performing a forensic investigation for a client in connection with a suspected fraudulent act where the firm has 	<p>310.14 A1 For example, a breach of confidentiality might arise when seeking consent to perform:</p> <ul style="list-style-type: none"> • A transaction-related service for a client in a hostile takeover of another client of the firm. • A forensic investigation for a client regarding a suspected fraud, where the firm has confidential information from its work for another client who might be involved in the fraud. 	

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	<p>confidential information obtained through having performed a professional service for another client who might be involved in the fraud.</p>	
	<p>The firm shall not accept or continue an engagement under such circumstances unless the following conditions are met:</p> <ul style="list-style-type: none"> • The firm does not act in an advocacy role for one client where this requires the firm to assume an adversarial position against the other client with respect to the same matter; • Specific mechanisms are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and • The firm is satisfied that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant in public practice at the time, would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm’s ability to provide the service would produce a disproportionate adverse outcome for the clients or other relevant third parties. 	<p>R310.14 When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, the firm shall only accept or continue an engagement if:</p> <ul style="list-style-type: none"> (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter; (b) Specific measures are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and (c) The firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm’s ability to provide the professional service would produce a disproportionate adverse outcome for the clients or other relevant third parties.
	<p>The professional accountant shall document the nature of the circumstances, including the role that the professional accountant is to undertake, the specific mechanisms in place to prevent</p>	<p>R310.15 In the circumstances set out in R310.14, the professional accountant shall document:</p> <ul style="list-style-type: none"> (a) The nature of the circumstances, including the role that the accountant is

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	disclosure of information between the engagement teams serving the two clients and the rationale for the conclusion that it is appropriate to accept the engagement.	<p>to undertake;</p> <p>(b) The specific measures in place to prevent disclosure of information between the engagement teams serving the two clients; and</p> <p>(c) Why it is appropriate to accept the engagement</p>	
SECTION 230 Second Opinions			
230.1	Situations where a professional accountant in public practice is asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client may create threats to compliance with the fundamental principles.	321.2 A professional accountant might be asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client.	
	For example, there may be a threat to professional competence and due care in circumstances where the second opinion is not based on the same set of facts that were made available to the existing accountant or is based on inadequate evidence. The existence and significance of any threat will depend on the circumstances of the request and all the other available facts and assumptions relevant to the expression of a professional judgment.	321.3 Providing a second opinion to an entity that is not an existing client might create threats to compliance with the fundamental principles. For example, there might be a threat to professional competence and due care if the second opinion is not based on the same facts that the existing accountant had, or is based on inadequate evidence	Covered by CF language.
230.2	When asked to provide such an opinion, a professional accountant in public practice shall evaluate the significance of any threats and	321.5 A1 The existence and significance of any threat created by providing a second opinion depends on the circumstances of the request	Covered by CF language.

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	<p>apply safeguards when necessary to eliminate them or reduce them to an acceptable level. Examples of such safeguards include seeking client permission to contact the existing accountant, describing the limitations surrounding any opinion in communications with the client and providing the existing accountant with a copy of the opinion.</p>		<p>and all the other available facts and assumptions relevant to the expression of a professional judgment.</p>	
		<p>321.5 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Seeking client permission to contact the existing accountant. • Describing the limitations surrounding any opinion in communications with the client. <p>Providing the existing accountant with a copy of the opinion.</p>		
230.3	<p>If the company or entity seeking the opinion will not permit communication with the existing accountant, a professional accountant in public practice shall determine whether, taking all the circumstances into account, it is appropriate to provide the opinion sought.</p>	R321.5	<p>If an entity seeking a second opinion from a professional accountant will not permit the accountant to communicate with the existing accountant, the accountant shall determine whether, taking all the circumstances into account, the accountant may provide the second opinion sought and remain in compliance with the fundamental principles.</p>	
SECTION 240 Fees and Other Types of Remuneration				
240.1	<p>When entering into negotiations regarding professional services, a professional accountant in public practice may quote whatever fee is deemed appropriate. The fact that one professional accountant in public practice may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, a self-interest threat to professional</p>	330.3 A1	<p>The level of fees quoted might impact a professional accountant's ability to perform professional services in accordance with professional standards.</p>	
		330.3 A2	<p>A professional accountant may quote whatever fee is considered appropriate. Quoting a fee lower than another accountant is not in itself unethical. However, fee quotations create a threat to professional</p>	

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	competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	competence and due care if the fee quoted is so low that it might be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	
240.2	The existence and significance of any threats created will depend on factors such as the level of fee quoted and the services to which it applies. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Covered by CF language.
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Making the client aware of the terms of the engagement and, in particular, the basis on which fees are charged and which services are covered by the quoted fee; or • Assigning appropriate time and qualified staff to the task. 	<p>330.3 A3</p> <p>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Making the client aware of the terms of the engagement and, in particular, the basis on which fees are charged and which professional services the quoted fee covers. • Assigning appropriate time and qualified personnel to the task. 	
240.3	<p>Contingent fees are widely used for certain types of non-assurance engagements. They may, however, create threats to compliance with the fundamental principles in certain circumstances. They may create a self-interest threat to objectivity. The existence and significance of such threats will depend on factors including:</p> <ul style="list-style-type: none"> • The nature of the engagement. • The range of possible fee amounts. 	<p>330.3 A4</p> <p>Contingent fees are widely used for certain types of non-assurance services. However, contingent fees might create threats to compliance with the fundamental principles, particularly a self-interest threat to objectivity, in certain circumstances. The existence and significance of such threats will depend on factors including:</p> <ul style="list-style-type: none"> • The nature of the engagement. • The range of possible fee amounts. 	

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	<ul style="list-style-type: none"> The basis for determining the fee. Whether the outcome or result of the transaction is to be reviewed by an independent third party. 	<ul style="list-style-type: none"> The basis for determining the fee. Whether an independent third party is to review the outcome or result of the transaction. 	
240.4	<p>The significance of any such threats shall be evaluated and safeguards applied when necessary to eliminate or reduce them to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> An advance written agreement with the client as to the basis of remuneration; Disclosure to intended users of the work performed by the professional accountant in public practice and the basis of remuneration; Quality control policies and procedures; or Review by an independent third party of the work performed by the professional accountant in public practice. 	<p>330.3 A5 Examples of safeguards include:</p> <ul style="list-style-type: none"> An advance written agreement with the client on the basis of remuneration. Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration. Quality control policies and procedures. Review by an independent third party of the work performed by the professional accountant. 	
Footnote to 240.3	<p>Contingent fees for non-assurance services provided to audit clients and other assurance clients are discussed in Sections 290 and 29 of this Code.</p>	<p>330.3 A6 Contingent fees for services provided to audit clients and other assurance clients are set out in C1 and C2 of the Code.</p>	
240.5	<p>In certain circumstances, a professional accountant in public practice may receive a referral fee or commission relating to a client.</p> <p>For example, where the professional accountant in public practice does not provide the specific</p>	<p>330.3 A7 A self-interest threat to objectivity and professional competence and due care is created if a professional accountant receives a referral fee or commission relating to a client.</p> <p>For example, such referral fees or commissions include:</p>	

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	<p>service required, a fee may be received for referring a continuing client to another professional accountant in public practice or other expert. A professional accountant in public practice may receive a commission from a third party (for example, a software vendor) in connection with the sale of goods or services to a client. Accepting such a referral fee or commission creates a self-interest threat to objectivity and professional competence and due care.</p>		<ul style="list-style-type: none"> A fee received for referring a continuing client to another accountant or other expert where the existing accountant does not provide the specific professional service required by the client. A commission received from a third party (for example, a software vendor) in connection with the sale of goods or services to a client. 	
240.6	<p>A professional accountant in public practice may also pay a referral fee to obtain a client, for example, where the client continues as a client of another professional accountant in public practice but requires specialist services not offered by the existing accountant. The payment of such a referral fee also creates a self-interest threat to objectivity and professional competence and due care.</p>	330.3	<p>A8 A self-interest threat to objectivity and professional competence and due care is also created if a professional accountant pays a referral fee to obtain a client. For example, such a referral fee includes a fee that is paid when the client continues as a client of another accountant but requires specialist services not offered by the existing accountant.</p>	
240.7	<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>			Covered by CF language.
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> Disclosing to the client any arrangements to pay a referral fee to another professional accountant for the work referred; Disclosing to the client any arrangements to receive a referral fee for referring the 	330.3 A9	<p>Examples of safeguards include:</p> <ul style="list-style-type: none"> Disclosing to the client any arrangements to pay a referral fee to another accountant for the work referred. Disclosing to the client any arrangements to receive a referral fee 	

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	<p>client to another professional accountant in public practice; or</p> <p>Obtaining advance agreement from the client for commission arrangements in connection with the sale by a third party of goods or services to the client.</p>	<p>for referring the client to another accountant.</p> <ul style="list-style-type: none"> Obtaining advance agreement from the client for commission arrangements in connection with the sale by a third party of goods or services to the client. 	
240.8	<p>A professional accountant in public practice may purchase all or part of another firm on the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not regarded as commissions or referral fees for the purpose of paragraphs 240.5-240.7 above.</p>	<p>330.3 A10 A professional accountant may purchase all or part of another firm on the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not referral fees or commissions for the purpose of paragraphs R330.3 A7 and 330.3 A8.</p>	
SECTION 250 Marketing Professional Services			
250.1	<p>When a professional accountant in public practice solicits new work through advertising or other forms of marketing, there may be a threat to compliance with the fundamental principles. For example, a self-interest threat to compliance with the principle of professional behavior is created if services, achievements, or products are marketed in a way that is inconsistent with that principle.</p>		<p>This paragraph not included in the draft ED as it duplicates the requirement in Subsection 115.</p>
250.2	<p>A professional accountant in public practice shall not bring the profession into disrepute when marketing professional services. The professional accountant in public practice shall be honest and truthful, and not:</p> <p>(a) Make exaggerated claims for services offered, qualifications possessed, or</p>	<p>R115.2 When marketing or promoting themselves and their work, professional accountants shall not bring the profession into disrepute. Professional accountants shall be honest and truthful and shall not make:</p> <p>(a) Exaggerated claims for the services they are able to offer, their</p>	

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	<p>experience gained; or</p> <p>(b) Make disparaging references or unsubstantiated comparisons to the work of another.</p> <p>If the professional accountant in public practice is in doubt about whether a proposed form of advertising or marketing is appropriate, the professional accountant in public practice <u>shall consider consulting</u> with the relevant professional body.</p>	<p>qualifications, or their experience; or</p> <p>(b) Disparaging references or unsubstantiated comparisons to the work of others</p>	
		<p>115.2 A1 If a professional accountant is in doubt about whether a form of advertising or marketing is appropriate, the accountant is encouraged to consult with the relevant professional body.</p>	<p>The IESBA believes that “shall consider consulting” is intended as an encouragement to consult, rather than a requirement.</p>
SECTION 260 Gifts and Hospitality			
260.1	<p>A professional accountant in public practice, or an immediate or close family member, may be offered gifts and hospitality from a client. Such an offer may create threats to compliance with the fundamental principles. For example, a self-interest or familiarity threat to objectivity may be created if a gift from a client is accepted; an intimidation threat to objectivity may result from the possibility of such offers being made public.</p>	<p>340.2 An offer of gifts or hospitality from a client to a professional accountant, or an immediate or close family member of an accountant, might create a self-interest or familiarity threat to objectivity if the offer is accepted, or an intimidation threat to objectivity if the acceptance of the offer might be made public.</p>	
260.2	<p>The existence and significance of any threat will depend on the nature, value, and intent of the offer. Where gifts or hospitality are offered that a reasonable and informed third party, weighing all the specific facts and circumstances, would consider trivial and inconsequential, a professional accountant in public practice may</p>	<p>340.3 A1 The existence and significance of a threat created by an offer of a gift or hospitality from a client will depend on the nature, value and intent of the offer. In some circumstances, a reasonable and informed third party would consider some gifts or hospitality to be trivial and inconsequential. In such circumstances,</p>	<p>The IESBA believes that “generally” sets the proper level of rigor with necessary flexibility to</p>

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	conclude that the offer is made in the normal course of business without the specific intent to influence decision making or to obtain information. In such cases, the professional accountant in public practice may generally conclude that any threat to compliance with the fundamental principles is at an acceptable level.		the professional accountant may conclude that the offer is made in the normal course of business without intent to influence decision making or to obtain information, and conclude that any threat to compliance with the fundamental principles is at an acceptable level.	exercise judgment.
260.3	A professional accountant in public practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate the threats or reduce them to an acceptable level. When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in public practice shall not accept such an offer.	R340.3	A professional accountant shall apply the conceptual framework set out Section 120 to the acceptance of offers of gifts and hospitality.	
SECTION 270 Custody of Client Assets				
270.1	A professional accountant in public practice shall not assume custody of client monies or other assets unless permitted to do so by law and, if so, in compliance with any additional legal duties imposed on a professional accountant in public practice holding such assets.	R350.4	A professional accountant shall not assume custody of client money or other assets unless permitted to do so by law.	
		350.3 A1	A professional accountant might also be bound by law that establishes who may take custody of client money or other assets and under what conditions such custody may be taken.	

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

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	For example, if the assets were derived from illegal activities, such as money laundering, a threat to compliance with the fundamental principles would be created. In such situations, the professional accountant may consider seeking legal advice.	350.5 A1 Inquiries about the source of client assets might reveal, for example, that the assets were derived from illegal activities, such as money laundering. In such circumstances, a threat to compliance with the fundamental principles would be created and the professional accountant may consider seeking legal advice.	
280 Objectivity—All Services			
280.1	A professional accountant in public practice shall determine when providing any professional service whether there are threats to compliance with the fundamental principle of objectivity <i>resulting from having interests in, or relationships with, a client or its directors, officers or employees. <u>For example, a familiarity threat to objectivity may be created from a family or close personal or business relationship.</u></i>	R112.2 A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant’s professional judgment regarding that activity.	The words in italics have been omitted in this text as they were narrower in scope than extant Code Section 220.3 and 220.6. The underlined text is covered in 112.2 A1.
280.2	A professional accountant in public practice who provides an assurance service shall be independent of the assurance client. Independence of mind and in appearance is necessary to enable the professional accountant in public practice to express a conclusion, and	R400.9 <i>A firm performing an audit engagement shall be independent of the audit client and shall apply the conceptual framework set out in Section 120 when identifying, evaluating and addressing threats to independence in relation to an audit engagement.</i>	

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	be seen to express a conclusion, without bias, conflict of interest, or undue influence of others. Sections 290 and 291 provide specific guidance on independence requirements for professional accountants in public practice when performing assurance engagements.	<p>112.3 A1 Independence is a measure of objectivity both in mind and appearance which is applied in relation to audit, review and other assurance engagements. It enables the professional accountant in public practice to express, and be seen to express, an objective conclusion when performing such engagements.</p> <p>112.3 A2 C1 and C2 set out independence requirements and application material for professional accountants in public practice.</p>	See also paragraph 400.1.
280.3	The existence of threats to objectivity when providing any professional service will depend upon the particular circumstances of the engagement and the nature of the work that the professional accountant in public practice is performing.	112.2 A1 The existence of threats to objectivity when undertaking any professional activity will depend upon the circumstances and nature of the activity. For example, a familiarity threat to objectivity might be created by a family or close personal or business relationship.	
280.4	<p>A professional accountant in public practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • <u>Withdrawing from the engagement team;</u> • <u>Supervisory procedures;</u> • <u>Terminating the financial or business relationship giving rise to the threat;</u> • <u>Discussing the issue with higher levels of management within the firm; or</u> 	<p>112.2.A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • <u>Supervisory procedures.</u> • <u>Discussing the issue:</u> <ul style="list-style-type: none"> ○ <u>With higher levels of management within the firm; or</u> ○ <u>With those charged with governance of the client;</u> • <u>Withdrawing from the engagement team.</u> • <u>Ending the financial or business</u> 	Underlined text is covered by CF language.

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	<ul style="list-style-type: none"> Discussing the issue with those charged with governance of the client. <p><u>If safeguards cannot eliminate or reduce the threat to an acceptable level, the professional accountant shall decline or terminate the relevant engagement.</u></p>	relationship causing the threat.	
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SECTION 290 INDEPENDENCE—AUDIT AND REVIEW ENGAGEMENTS			
290.1	<p>This section addresses the independence requirements for audit engagements and review engagements, which are assurance engagements in which a professional accountant in public practice expresses a conclusion on financial statements. Such engagements comprise audit and review engagements to report on a complete set of financial statements and a single financial statement.</p>	<p>400.1 Independence is a measure of objectivity, both in mind and appearance, which is applied to audit engagements. It enables a firm to express, and be seen to express, an objective conclusion when performing such engagements. <u>It is in the public interest and required by the Code that members of audit teams, firms and network firms be independent of audit clients.</u> C1 sets out requirements and application material on maintaining independence when performing audit engagements. (See also paragraph 400.7 regarding references to “firm.”)</p>	<p>The IESBA has used new introductory material to re-inforce the link between independence and objectivity. See also paragraph 112.3 A1.</p> <p>Underlined text is derived from paragraph 290.4 below</p>
	<p>Independence requirements for assurance engagements that are not audit or review engagements are addressed in Section 291.</p>	<p>400.5 Independence requirements for assurance engagements that are not audit or review engagements are set out in C2.</p>	

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290.2	In certain circumstances involving audit engagements where the audit report includes a restriction on use and distribution and provided certain conditions are met, the independence requirements in this section may be modified as provided in paragraphs 290.500 to 290.514. The modifications are not permitted in the case of an audit of financial statements required by law or regulation.	400.8 An audit report might include a restriction on use and distribution. If it does, the independence requirements in C1 may be modified as provided in Section 800, if the conditions set out in those paragraphs are met. These modifications are not permitted for an audit of financial statements which is required by law or regulation.	
290.3	In this section, the term(s): (a) "Audit," "audit team," "audit engagement," "audit client" and "audit report" includes review, review team, review engagement, review client and review report; and (b) "Firm" includes network firm, except where otherwise stated.		Paragraph 290.3(a) is located in the Glossary
			Paragraph 290.3(b) is no longer relevant because network firm is specifically referenced where necessary.
290.4	In the case of audit engagements, it is in the public interest and, therefore, required by this Code, that members of audit teams, firms and network firms shall be independent of audit clients.	400.1 ... It is in the public interest and required by the Code that members of audit teams, firms and network firms be independent of audit clients. ...	

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290.5	The objective of this section is to assist firms and members of audit teams in applying the conceptual framework approach described below to achieving and maintaining independence.	400.3 C1 describes facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence. It describes the potential threats, and safeguards that might be appropriate to address any threats by eliminating them or reducing them to an acceptable level. It identifies situations where no safeguards could reduce the threats to an acceptable level but does not describe all situations that might create a threat.	Paragraph 290.5 has been expanded to explain the conceptual framework approach for clarity.
		400.4 The conceptual framework requires a firm to evaluate the implications of similar, but different, facts and circumstances and determine whether the threat can be addressed by applying safeguards, including the safeguards in 300.2 A10 to eliminate the threats to independence or reduce them to an acceptable level.	
290.6	<p>Independence comprises:</p> <p>(a) Independence of Mind The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.</p> <p>(b) Independence in Appearance The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts</p>	<p>400.2 Independence comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm’s, or a member of</p>	Also included in the definitions section of the Glossary.

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	and circumstances, that a firm's, or a member of the audit team's, integrity, objectivity or professional skepticism has been compromised.	the audit or assurance team's, integrity, objectivity or professional skepticism has been compromised.	
290.7	<p>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 creating the threats or decline or terminate the audit engagement.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>	<p>R400.9 <i>A firm performing an audit engagement shall be independent of the audit client and shall apply the conceptual framework set out in Section 120 when identifying, evaluating and addressing threats to independence in relation to an audit engagement</i></p>	Covered by CF language.

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290.8	<p>Many different circumstances, or combinations of circumstances, may be relevant in assessing threats to independence. It is impossible to define every situation that creates threats to independence and to specify the appropriate action. Therefore, this Code establishes a conceptual framework that requires firms and members of audit teams to identify, evaluate, and address threats to independence. The conceptual framework approach assists professional accountants in practice in complying with the ethical requirements in this Code. It accommodates many variations in circumstances that create threats to independence and can deter a professional accountant from concluding that a situation is permitted if it is not specifically prohibited.</p>	<p>400.3 C1 describes facts and circumstances, including professional activities, interests and relationships that create or might create threats to independence. It describes the potential threats and safeguards that might be appropriate to address any threats by eliminating them or reducing them to an acceptable level. It identifies situations where no safeguards could reduce the threats to an acceptable level but does not describe all situations that might create a threat.</p>	
		<p>400.4 The conceptual framework requires a firm to evaluate the implications of similar, but different, facts and circumstances and determine whether the threat can be addressed by applying safeguards, including the safeguards in 300.2 A10 to eliminate the threats to independence or reduce them to an acceptable level.</p>	
290.9	<p>Paragraphs 290.100 and onwards describe how the conceptual framework approach to independence is to be applied. These paragraphs do not address all the circumstances and relationships that create or may create threats to independence.</p>	<p>400.3 C1 describes facts and circumstances, including professional activities, interests and relationships that create or might create threats to independence. It describes the potential threats and safeguards that might be appropriate to address any threats by eliminating them or reducing them to an acceptable level. It identifies situations where no safeguards could reduce the threats to an acceptable level but does not describe all situations that might create a threat.</p>	

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		400.4 The conceptual framework requires a firm to evaluate the implications of similar, but different, facts and circumstances and determine whether the threat can be addressed by applying safeguards, including the safeguards in 300.2 A10 to eliminate the threats to independence or reduce them to an acceptable level.	
290.10	In deciding whether to accept or continue an engagement, or whether a particular individual may be a member of the audit team, a firm shall identify and evaluate threats to independence. If the threats are not at an acceptable level, and the decision is whether to accept an engagement or include a particular individual on the audit team, the firm shall determine whether safeguards are available to eliminate the threats or reduce them to an acceptable level. If the decision is whether to continue an engagement, the firm shall determine whether any existing safeguards will continue to be effective to eliminate the threats or reduce them to an acceptable level or whether other safeguards will need to be applied or whether the engagement needs to be terminated. Whenever new information about a threat to independence comes to the attention of the firm during the engagement, the firm shall evaluate the significance of the threat in accordance with the conceptual framework approach.	<p>R400.10 <i>In applying the conceptual framework, a firm shall:</i></p> <ul style="list-style-type: none"> (a) <i>When evaluating the significance of threats to independence, take qualitative as well as quantitative factors into account;</i> (b) <i>If a determination has been made that the threats are not at an acceptable level, and the decision to be made is whether to accept an engagement or include a particular individual on the audit team, determine whether safeguards are available to eliminate the threats or reduce them to an acceptable level;</i> (c) <i>If the decision is whether to continue an audit engagement, determine whether:</i> <ul style="list-style-type: none"> (i) <i>Any existing safeguards will continue to be effective to eliminate the threats or reduce</i> 	

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290.11	<p>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.</p>	<p><i>them to an acceptable level;</i></p> <p>(ii) <i>Other safeguards will need to be applied; or</i></p> <p>(iii) <i>The engagement needs to be ended; and</i></p> <p>(d) <i>Whenever new information about a threat to independence comes to the attention of the firm during an audit engagement, evaluate the significance of that threat in accordance with the conceptual framework.</i></p>	
290.12	<p>This section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by International Standards on Quality Control (ISQCs) to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical requirements. In addition, International Standards on Auditing (ISAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.</p>	<p>400.7 Firms are required by International Standards on Quality Control (ISQCs) to establish policies and procedures designed to provide them with reasonable assurance that independence is maintained when required by relevant ethical requirements. International Standards on Auditing (ISAs) establish responsibilities for engagement partners and engagement teams. Certain responsibilities within a firm depend on its size, structure and organization. Many of the provisions of C1 do not prescribe the specific responsibility of individuals within the firm for actions related to independence. Although firms and professional accountants within those firms each have responsibilities for compliance, for ease of reference, many of the provisions of C1 refer to “firm,” even if the main responsibility rests with an individual within the firm.</p>	

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290.13	If a firm is deemed to be a network firm, the firm shall be independent of the audit clients of the other firms within the network (unless otherwise stated in this Code).	R401.2	A network firm shall be independent of the audit clients of the other firms within the network where C1 specifically requires such independence.	
	The independence requirements in this section that apply to a network firm apply to any entity, such as a consulting practice or professional law practice, that meets the definition of a network firm irrespective of whether the entity itself meets the definition of a firm.	401.3 A1	The independence requirements in C1 that apply to a network firm apply to any entity that meets the definition of a network firm. It is not necessary for the entity also to meet the definition of a firm. For example, a consulting practice or professional law practice might be a network firm but not a firm.	
290.14	To enhance their ability to provide professional services, firms frequently form larger structures with other firms and entities. Whether these larger structures create a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct. For example, a larger structure may be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a network. Alternatively, a larger structure might be such that it is aimed at co-operation and the firms share a common brand name, a common system of quality control, or significant professional resources and consequently is deemed to be a network.	401.1	To enhance their ability to provide professional services, firms frequently form larger structures with other firms and entities. Whether these larger structures create a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct. A larger structure is a network if it is aimed at co-operation and, for example, the firms share: a common brand name; a common system of quality control; or significant professional resources. Alternatively, a larger structure might be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a network.	
290.15	The judgment as to whether the larger structure is a network shall be made in light of whether a reasonable and informed third party would be	R401.3	When associated with a larger structure of other firms and entities, a firm shall: (a) Use professional judgment to	

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	likely to conclude, weighing all the specific facts and circumstances, that the entities are associated in such a way that a network exists. This judgment shall be applied consistently throughout the network.	<p>determine whether a network is created by such a larger structure;</p> <p>(b) Consider whether a reasonable and informed third party would be likely to conclude that the other firms and entities in the larger structure are associated in such a way that a network exists; and</p> <p>(c) Apply such judgment consistently throughout such a larger structure.</p>	
290.16	Where the larger structure is aimed at co-operation and it is clearly aimed at profit or cost sharing among the entities within the structure, it is deemed to be a network. However, the sharing of immaterial costs does not in itself create a network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals, or training courses, this would not in itself create a network. Further, an association between a firm and an otherwise unrelated entity to jointly provide a service or develop a product does not in itself create a network.	401.3 A2 Where the larger structure is aimed at co-operation and it is clearly aimed at profit or cost sharing among the entities within the structure, it is a network. However, the sharing of immaterial costs does not in itself create a network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals or training courses, this would not in itself create a network. Further, an association between a firm and an otherwise unrelated entity jointly to provide a service or develop a product does not in itself create a network.	
290.17	Where the larger structure is aimed at cooperation and the entities within the structure share common ownership, control or management, it is deemed to be a network. This could be achieved by contract or other means.	401.3 A3 Where the larger structure is aimed at co-operation and the entities within the structure share common ownership, control or management, it is a network. This could be achieved by contract or other means.	

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290.18	Where the larger structure is aimed at co-operation and the entities within the structure share common quality control policies and procedures, it is deemed to be a network. For this purpose, common quality control policies and procedures are those designed, implemented and monitored across the larger structure.	401.3 A4 Where the larger structure is aimed at co-operation and the entities within the structure share common quality control policies and procedures, it is a network. For this purpose, common quality control policies and procedures are those designed, implemented and monitored across the larger structure.	
290.19	Where the larger structure is aimed at co-operation and the entities within the structure share a common business strategy, it is deemed to be a network. Sharing a common business strategy involves an agreement by the entities to achieve common strategic objectives. An entity is not deemed to be a network firm merely because it co-operates with another entity solely to respond jointly to a request for a proposal for the provision of a professional service.	401.3 A5 Where the larger structure is aimed at co-operation and the entities within the structure share a common business strategy, it is a network. Sharing a common business strategy involves an agreement by the entities to achieve common strategic objectives. An entity is not a network firm merely because it co-operates with another entity solely to respond jointly to a request for a proposal for the provision of a professional service.	
290.20	Where the larger structure is aimed at co-operation and the entities within the structure share the use of a common brand name, it is deemed to be a network. A common brand name includes common initials or a common name. A firm is deemed to be using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name, when a partner of the firm signs an audit report.	401.3 A6 Where the larger structure is aimed at co-operation and the entities within the structure share the use of a common brand name, it is a network. A common brand name includes common initials or a common name. A firm is using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name when a partner of the firm signs an audit report.	

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290.21	<p>Even though a firm does not belong to a network and does not use a common brand name as part of its firm name, it may give the appearance that it belongs to a network if it makes reference in its stationery or promotional materials to being a member of an association of firms. Accordingly, if care is not taken in how a firm describes such memberships, a perception may be created that the firm belongs to a network.</p>	401.3 A7	<p>Even if a firm does not belong to a network and does not use a common brand name as part of its firm name, it might appear to belong to a network if its stationery or promotional materials refer to being a member of an association of firms. Accordingly, if care is not taken in how a firm describes such membership, a perception might be created that the firm belongs to a network.</p>	
290.22	<p>If a firm sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the component may continue to use the name of the firm, or an element of the name, even though it is no longer connected to the firm. In such circumstances, while the two entities may be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation and are, therefore, not network firms. Those entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.</p>	R401.4	<p>If a firm or a network sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the sold component might continue to use all or part of the name of the firm or the network, even though it is no longer connected to the firm or the network. In such circumstances, while the two entities might be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation and are therefore not network firms. Those entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.</p>	
290.23	<p>Where the larger structure is aimed at cooperation and the entities within the structure share a significant part of professional resources, it is deemed to be a network. Professional resources include:</p> <ul style="list-style-type: none"> • Common systems that enable firms to 	401.3 A8	<p>Where the larger structure is aimed at cooperation and the entities within the structure share a significant part of professional resources, it is a network. Professional resources include:</p> <ul style="list-style-type: none"> • Common systems that enable firms to 	

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	<p>exchange information such as client data, billing and time records;</p> <ul style="list-style-type: none"> • Partners and staff; • Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements; • Audit methodology or audit manuals; and • Training courses and facilities. 	<p>exchange information such as client data, billing and time records.</p> <ul style="list-style-type: none"> • Partners and other personnel. • Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements. • Audit methodology or audit manuals. • Training courses and facilities. 	
290.24	<p>The determination of whether the professional resources shared are significant, and therefore the firms are network firms, shall be made based on the relevant facts and circumstances. Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant. The same applies to a common training endeavor. Where, however, the shared resources involve the exchange of people or information, such as where staff are drawn from a shared pool, or a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed third party is more likely to conclude that the shared resources are significant.</p>	<p>401.3 A9 Whether the shared professional resources are significant depends on the circumstances. For example:</p> <ul style="list-style-type: none"> • Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant. The same applies to a common training endeavor. • Where the shared resources involve the exchange of personnel or information, such as where personnel are drawn from a shared pool, or a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed third party is more likely to conclude that the shared resources are 	

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			significant.	
290.25	<p>Section 290 contains additional provisions that reflect the extent of public interest in certain entities. For the purpose of this section, public interest entities are:</p> <p>(a) All listed entities; and</p> <p>(b) Any entity:</p> <p>(i) Defined by regulation or legislation as a public interest entity; or</p> <p>(ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.</p>	400.6	C1 sets out requirements and application material that reflect the extent of public interest in certain entities which are defined to be public interest entities. ...	The PIE definition is in the Glossary.
290.26	<p>Firms and member bodies are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:</p> <ul style="list-style-type: none"> The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds; 	400.6	<p>... Firms and member bodies are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:</p> <ul style="list-style-type: none"> The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include financial institutions, such as banks and insurance companies, and pension 	

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	<ul style="list-style-type: none"> • Size; and • Number of employees. 	<p>funds.</p> <ul style="list-style-type: none"> • Size. • Number of employees. 	
290.27	<p>In the case of an audit client that is a listed entity, references to an audit client in this section include related entities of the client (unless otherwise stated). For all other audit clients, references to an audit client in this section include related entities over which the client has direct or indirect control. When the audit team knows or has reason to believe that a relationship or circumstance involving another related entity of the client is relevant to the evaluation of the firm’s independence from the client, the audit team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.</p>	<p>R400.11 As defined, an audit client that is a listed entity includes all of its related entities. For all other entities, references to an audit client in C1 include related entities over which the client has direct or indirect control. When the audit team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the firm’s independence from the client, the audit team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.</p>	<p>The Glossary definition of “audit client” cross refers to this paragraph.</p>
290.28	<p>Even when not required by the Code, applicable auditing standards, law or regulation, regular communication is encouraged between the firm and those charged with governance of the audit client regarding relationships and other matters that might, in the firm’s opinion, reasonably bear on independence. Such communication enables those charged with governance to:</p> <ul style="list-style-type: none"> (a) Consider the firm’s judgments in identifying and evaluating threats to independence; (b) Consider the appropriateness of safeguards applied to eliminate them or 	<p>400.15 A1 Even when not required by the Code, applicable professional standards, law or regulation, regular communication is encouraged between the firm and those charged with governance of the client regarding relationships and other matters that might, in the firm’s opinion, reasonably bear on independence. Such communication enables those charged with governance to:</p> <ul style="list-style-type: none"> (a) Consider the firm’s judgments in identifying and evaluating threats to the fundamental principles; (b) Consider the appropriateness of 	

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	<p>reduce them to an acceptable level; and</p> <p>(c) Take appropriate action.</p> <p>Such an approach can be particularly helpful with respect to intimidation and familiarity threats.</p>	<p>safeguards applied to eliminate them or reduce them to an acceptable level; and</p> <p>(c) Take appropriate action.</p> <p>Such an approach can be particularly helpful with respect to intimidation and familiarity threats.</p>	
290.28 (cont'd)	<p>In complying with requirements in this section to communicate with those charged with governance, the firm shall determine, having regard to the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the firm communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, the firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.</p>	<p>R400.15 A firm shall comply with paragraph R300.3 when communicating with those charged with governance.</p>	<p>This text is contained in Part C in paragraphs R300.3, 300.3A1 and 300.3 A2.</p>
290.29	<p>Documentation provides evidence of the professional accountant's judgments in forming conclusions regarding compliance with</p>	<p>402.1 Documentation provides evidence of the firm's judgments when forming conclusions regarding compliance with independence requirements.</p>	

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	<p>independence requirements. The absence of documentation is not a determinant of whether a firm considered a particular matter nor whether it is independent.</p> <p>The professional accountant shall document conclusions regarding compliance with independence requirements, and the substance of any relevant discussions that support those conclusions. Accordingly:</p> <p>(a) When safeguards are required to reduce a threat to an acceptable level, the professional accountant shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level; and</p> <p>(b) When a threat required significant analysis to determine whether 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>R402.2 A firm shall document conclusions regarding compliance with independence requirements, and the substance of any relevant discussions that support those conclusions. Accordingly:</p> <p>(a) When safeguards are required to reduce a threat to an acceptable level, the firm 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 firm concluded that they were not because the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.</p> <p>402.2 A1 A lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent as required by C1.</p>	
290.30	<p>Independence from the audit client is required both during the engagement period and the period covered by the financial statements. The engagement period starts when the audit team begins to perform audit services. <u>The engagement period ends when the audit report is issued.</u> When the engagement is of a</p>	<p>R400.12 Independence as required by C1 shall be maintained during both:</p> <p>(a) The engagement period; and</p> <p>(b) The period covered by the financial statements.</p>	<p>The underlined text has been treated as a definition and is located in the definitions section of the Glossary</p>

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	<p><u>recurring nature, it ends at the later of the notification by either party that the professional relationship has terminated or the issuance of the final audit report.</u></p>		
290.31	<p>When an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by:</p> <p>(a) Financial or business relationships with the audit client during or after the period covered by the financial statements but before accepting the audit engagement; or</p> <p>(b) Previous services provided to the audit client.</p>	<p>R400.13 If an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by:</p> <p>(a) Financial or business relationships with the audit client during or after the period covered by the financial statements but before accepting the audit engagement; or</p> <p>(b) Previous services provided to the audit client by the firm or network firm.</p>	
290.32	<p>If a non-assurance service was provided to the audit client during or after the period covered by the financial statements but before the audit team begins to perform audit services and the service would not be permitted during the period of the audit engagement, the firm shall evaluate any threat to independence created by the service. If a threat is not at an acceptable level, the audit engagement shall only be accepted if safeguards are applied to eliminate any threats or reduce them to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Not including personnel who provided the 	<p>R400.14 If a non-assurance service was provided to the audit client during, or after the period covered by the financial statements, but before the audit team begins to perform audit services, and the service would not be permitted during the engagement period, the firm shall evaluate any threat to independence created by the service. If a threat is not at an acceptable level, the firm shall only accept the audit engagement if safeguards are applied to eliminate any threats or reduce them to an acceptable level.</p>	

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	<p>non-assurance service as members of the audit team;</p> <ul style="list-style-type: none"> • Having a professional accountant review the audit and non-assurance work as appropriate; or • Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service. 	<p>400.14 A1 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Not including individuals who provided the non-assurance service as members of the audit team. • Having a professional accountant review the audit and non-assurance work as appropriate. • Engaging another firm to evaluate the results of the non-assurance service. • Having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	
290.33	<p>When, as a result of a merger or acquisition, an entity becomes a related entity of an audit client, the firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account available safeguards, could affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition.</p>	<p>403.1 An entity might become a related entity of an audit client because of a merger or acquisition. A threat to independence, and therefore, the ability of a firm to continue an audit engagement might be created by previous or current interests or relationships between a firm or network firm and such a related entity.</p> <p>R403.3(a) In the circumstances set out in paragraph 403.1, the firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account available safeguards, could affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition.</p>	<p>Network firm explicitly stated for clarity.</p>

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<p>290.34</p> <p>The firm shall take steps necessary to terminate, by the effective date of the merger or acquisition, any current interests or relationships that are not permitted under this Code.</p> <p>However, if such a current interest or relationship cannot reasonably be terminated by the effective date of the merger or acquisition, for example, because the related entity is unable by the effective date to effect an orderly transition to another service provider of a non-assurance service provided by the firm, the firm shall evaluate the threat that is created by such interest or relationship.</p> <p>The more significant the threat, the more likely the firm's objectivity will be compromised and it will be unable to continue as auditor. The significance of the threat will depend upon factors such as:</p> <ul style="list-style-type: none"> • The nature and significance of the interest or relationship; • The nature and significance of the related entity relationship (for example, whether the related entity is a subsidiary or parent); and • The length of time until the interest or relationship can reasonably be terminated. <p>The firm shall discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be terminated by the effective date of the merger or acquisition and the evaluation of the significance of the</p>	<p>R403.3(b) In the circumstances set out in paragraph 403.1, the firm shall take steps to end any interests or relationships that are not permitted by the Code by the effective date of the merger or acquisition.</p>	<p>Text derived from 290.33.</p>
	<p>403.2</p> <p>It might not be reasonable to end an interest or relationship by the effective date of the merger or acquisition. This might be because the firm provides a non-assurance service to the related entity, which the entity is not able to transition in an orderly manner to another provider by that date.</p>	
	<p>R403.3(c) As an exception to R403.3(b), if the interest or relationship cannot reasonably be ended by the effective date, the firm shall:</p> <p>(i) Evaluate the threat that is created by the interest or relationship; and...</p>	
<p>403.3 A1</p> <p>The more significant the threat, the more likely the firm's objectivity will be compromised and it will be unable to continue as auditor. The significance of the threat to objectivity might depend upon factors such as:</p> <ul style="list-style-type: none"> • The nature and significance of the interest or relationship. • The nature and significance of the related entity relationship (for example, whether the related entity is a subsidiary or parent). • The length of time until the interest or 		

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	threat.	relationship can reasonably be ended.	
		<p>R403.3(c) As an exception to R403.3(b), ...</p> <p>(ii) Discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be ended by the effective date and the evaluation of the significance of the threat.</p>	
290.35	<p>If those charged with governance request the firm to continue as auditor, the firm shall do so only if:</p> <p>(a) The interest or relationship will be terminated as soon as reasonably possible and in all cases within six months of the effective date of the merger or acquisition;</p> <p>(b) Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted under this section, will not be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and</p> <p>(c) Appropriate transitional measures will be applied, as necessary, and discussed with those charged with governance. Examples of transitional measures include:</p>	<p>R403.4 If those charged with governance request the firm to continue as the auditor, the firm shall do so only if:</p> <p>(a) The interest or relationship will be ended as soon as reasonably possible but no later than six months after the effective date of the merger or acquisition;</p> <p>(b) Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted by C1, will not be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and</p> <p>(c) Transitional measures will be applied, as necessary, and discussed with those charged with governance.</p>	

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<ul style="list-style-type: none"> • Having a professional accountant review the audit or non-assurance work as appropriate; • Having a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, perform a review that is equivalent to an engagement quality control review; or • Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service. 	<p>403.4 A1 Examples of transitional measures include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the audit or non-assurance work as appropriate. • Having a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, perform a review that is equivalent to an engagement quality control review. • Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	
<p>290.36</p> <p>The firm may have completed a significant amount of work on the audit prior to the effective date of the merger or acquisition and may be able to complete the remaining audit procedures within a short period of time. In such circumstances, if those charged with governance request the firm to complete the audit while continuing with an interest or relationship identified in paragraph 290.33, the firm shall do so only if it:</p> <ul style="list-style-type: none"> (a) Has evaluated the significance of the threat created by such interest or relationship and discussed the evaluation with those charged with governance; (b) Complies with the requirements of paragraph 290.35(b)–(c); and 	<p>R403.5</p> <p>The firm might have completed a significant amount of work on the audit prior to the effective date of the merger or acquisition and might be able to complete the remaining audit procedures within a short period of time. In such circumstances, if those charged with governance request the firm to complete the audit while continuing with an interest or relationship identified in paragraph 403.1, the firm shall only do so if it:</p> <ul style="list-style-type: none"> (a) Has evaluated the significance of the threat created by such interest or relationship and discussed the evaluation with those charged with governance; (b) Complies with the requirements of 	

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	(c) Ceases to be the auditor no later than the issuance of the audit report.	paragraph R403.4(a) to (c); and (c) Ceases to be the auditor no later than the date that the audit report is issued.	
290.37	When addressing previous and current interests and relationships covered by paragraphs 290.33 to 290.36, the firm shall determine whether, even if all the requirements could be met, the interests and relationships create threats that would remain so significant that objectivity would be compromised and, if so, the firm shall cease to be the auditor.	R403.6 When addressing previous and current interests and relationships set out in paragraph 403.1 the firm shall determine whether, even if all the requirements of paragraphs R403.3 to R403.5 could be met, the interests and relationships create threats that would remain so significant that objectivity would be compromised. If so, the firm shall cease to be the auditor.	
290.38	The professional accountant shall document any interests or relationships covered by paragraphs 290.34 and 36 that will not be terminated by the effective date of the merger or acquisition and the reasons why they will not be terminated, the transitional measures applied, the results of the discussion with those charged with governance, and the rationale as to why the previous and current interests and relationships do not create threats that would remain so significant that objectivity would be compromised.	R403.7 The firm shall document: (a) Any interests or relationships set out in paragraph 403.1 that will not be ended by the effective date of the merger or acquisition and the reasons why they will not be ended; (b) The transitional measures applied; (c) The results of the discussion with those charged with governance; and (d) The reasons why the previous and current interests and relationships do not create threats that would remain so significant that objectivity would be compromised.	

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290.39	A breach of a provision of this section may occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. A consequence of a breach may be that termination of the audit engagement is necessary.	404.1	A breach of a provision of C1 might occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. It might be necessary to end the audit engagement because of the breach.	
290.40	When the firm concludes that a breach has occurred, the firm shall terminate, suspend or eliminate the interest or relationship that caused the breach and address the consequences of the breach.	R404.2	If a firm concludes that a breach of an independence provision of C1 has occurred, the firm shall: (a) End, suspend or eliminate the interest or relationship that created breach and address the consequences of the breach; ...	
290.41	When a breach is identified, the firm shall consider whether there are any legal or regulatory requirements that apply with respect to the breach and, if so, shall comply with those requirements. The firm shall consider reporting the breach to a member body, relevant regulator or oversight authority if such reporting is common practice or is expected in the particular jurisdiction.	R404.2	If a firm concludes that a breach of an independence provision of C1 has occurred, the firm shall: ... (b) Consider whether any legal or regulatory requirements apply to the breach and, if so; (i) Comply with those requirements; and (ii) Consider reporting the breach to a professional body or regulator if such reporting is common practice or expected in the relevant jurisdiction; ...	
290.42	When a breach is identified, the firm shall, in accordance with its policies and procedures, promptly communicate the breach to the	R404.2	If a firm concludes that a breach of an independence provision of C1 has occurred, the firm shall: ...	

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<p>engagement partner, those with responsibility for the policies and procedures relating to independence, other relevant personnel in the firm, and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action. The firm shall evaluate the significance of that breach and its impact on the firm’s objectivity and ability to issue an audit report. The significance of the breach will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature and duration of the breach; • The number and nature of any previous breaches with respect to the current audit engagement; • Whether a member of the audit team had knowledge of the interest or relationship that caused the breach; • Whether the individual who caused the breach is a member of the audit team or another individual for whom there are independence requirements; • If the breach relates to a member of the audit team, the role of that individual; • If the breach was caused by the provision of a professional service, the impact of that service, if any, on the accounting records or the amounts recorded in the financial statements on which the firm will express an opinion; and • The extent of the self-interest, advocacy, intimidation or other threats created by the 	<p>(c) Promptly communicate the breach in accordance with its policies and procedures to:</p> <ul style="list-style-type: none"> (i) The engagement partner; (ii) Those with responsibility for the policies and procedures relating to independence; (iii) Other relevant personnel in the firm and, where appropriate, the network; and (iv) Those subject to the independence requirements who need to take appropriate action; <p>(d) Evaluate the significance of the breach and its impact on the firm’s objectivity and ability to issue an audit report; and ...</p> <hr/> <p>404.2 A1 When a breach of the independence requirements set out in C1 is identified, the significance and impact of the breach on the firm’s objectivity and ability to issue an audit report will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature and duration of the breach. • The number and nature of any previous breaches with respect to the current audit engagement. • Whether an audit team member had knowledge of the interest or relationship that created the breach. • Whether the individual who created the 	

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	breach.	<p>breach is an audit team member or another individual for whom there are independence requirements.</p> <ul style="list-style-type: none"> • If the breach relates to an audit team member, the role of that individual. • If the breach was created by providing a professional service, the impact of that service, if any, on the accounting records or the amounts recorded in the financial statements on which the firm will express an opinion. • The extent of the self-interest, advocacy, intimidation or other threats created by the breach. 	
290.43	<p>Depending upon the significance of the breach, it may be necessary to terminate the audit engagement or it may be possible to take action that satisfactorily addresses the consequences of the breach. The firm shall determine whether such action can be taken and is appropriate in the circumstances. In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken and all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that the firm's objectivity would be compromised and therefore the firm is unable to issue an audit report.</p>	<p>R404.2 If a firm concludes that a breach of an independence provision of C1 has occurred, the firm shall: ...</p> <p>(e) Depending on the significance of the breach, determine whether:</p> <ul style="list-style-type: none"> (i) To end the audit engagement; or (ii) Whether it might be possible to take action that satisfactorily addresses the consequences of the breach, and whether such action can be taken and is appropriate in the circumstances. <p>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</p>	

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		and therefore the firm is unable to issue an audit report.	
290.44	<p>Examples of actions that the firm may consider include:</p> <ul style="list-style-type: none"> • Removing the relevant individual from the audit team; • Conducting an additional review of the affected audit work or re-performing that work to the extent necessary, in either case using different personnel; • Recommending that the audit client engage another firm to review or re-perform the affected audit work to the extent necessary; and • Where the breach relates to a non-assurance service that affects the accounting records or an amount that is recorded in the financial statements, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service. 	<p>404.2 A2</p> <p>Depending upon the significance of the breach, examples of actions that the firm might consider to satisfactorily address the breach include:</p> <ul style="list-style-type: none"> • Removing the relevant individual from the audit team. • Using different individuals to conduct an additional review of the affected audit work or to re-perform that work to the extent necessary. • Recommending that the audit client engage another firm to review or re-perform the affected audit work to the extent necessary. • If the breach relates to a non-assurance service that affects the accounting records or an amount recorded in the financial statements: <ul style="list-style-type: none"> ○ Engaging another firm to evaluate the results of the non-assurance service; ○ Having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	

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290.45	<p>If the firm determines that action cannot be taken to satisfactorily address the consequences of the breach, the firm shall inform those charged with governance as soon as possible and take the steps necessary to terminate the audit engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the audit engagement. Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.</p>	<p>R404.3 If the firm determines that it cannot take action to satisfactorily address the consequences of the breach, the firm shall inform those charged with governance as soon as possible and take the steps necessary to end the audit engagement in compliance with any applicable legal or regulatory requirements. Where ending the engagement is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.</p>	
290.46	<p>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 those charged with governance. The firm shall discuss the breach and the action as soon as possible, unless those charged with governance have specified an alternative timing for reporting less significant breaches. The matters to be discussed shall include:</p> <ul style="list-style-type: none"> • The significance of the breach, including its nature and duration; • How the breach occurred and how it was identified; • The action taken or proposed to be taken and the firm's rationale for why the action will satisfactorily address the consequences of the breach and enable it to issue an audit report; • The conclusion that, in the firm's 	<p>R404.4 If the firm determines that it can take action to satisfactorily address the consequences of the breach, the firm shall discuss with those charged with governance:</p> <ul style="list-style-type: none"> (a) The significance of the breach, including its nature and duration; (b) How the breach occurred and how it was identified; (c) The action proposed or taken and why the action will satisfactorily address the consequences of the breach and enable the firm to issue an audit report; (d) The conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion; and (e) Any steps proposed or taken by the firm to reduce or avoid the risk of further breaches occurring. <p>Such discussion shall take place as soon as</p>	

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	<p>professional judgment, objectivity has not been compromised and the rationale for that conclusion; and</p> <ul style="list-style-type: none"> Any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring. 	<p>possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.</p>	
290.47	<p>The firm shall communicate in writing with those charged with governance all matters discussed in accordance with paragraph 290.46 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach. The communication shall include a description of the firm’s policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained and any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring. If those charged with governance do not concur that the action satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to terminate the audit engagement, where permitted by law or regulation, in compliance with any applicable legal or regulatory requirements relevant to terminating the audit engagement. <u>Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.</u></p>	<p>R404.5 The firm shall communicate in writing to those charged with governance:</p> <p>(a) All matters discussed in accordance with paragraphs R404.2 to R404.4 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach; and</p> <p>(b) A description of the firm’s policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained and any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring.</p> <p>R404.6 If those charged with governance do not concur that the action proposed by the firm in accordance with R404.2(e)(ii) satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to end the audit engagement in accordance with the provisions set out in paragraph R404.3.</p>	<p>The underlined text is included in R404.3.</p>

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290.48	If the breach occurred prior to the issuance of the previous audit report, the firm shall comply with this section in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue an audit report in the current period. The firm shall also consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued audit reports, and the possibility of withdrawing such audit reports, and discuss the matter with those charged with governance.	R404.7 If the breach occurred prior to the issuance of the previous audit report, the firm shall comply with the provisions of C1 in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue an audit report in the current period.	
		R404.8 The firm shall also consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued audit reports, and the possibility of withdrawing such audit reports, and discuss the matter with those charged with governance.	
290.49	The firm shall document the breach, the action taken, key decisions made and all the matters discussed with those charged with governance and any discussions with a member body, relevant regulator or oversight authority. When the firm continues with the audit engagement, the matters to be documented shall also include the conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for why the action taken satisfactorily addressed the consequences of the breach such that the firm could issue an audit report.	R404.9 In applying the provisions of R404.1 to R404.8, the firm shall document: <ul style="list-style-type: none"> (a) The breach; (b) The action taken; (c) Key decisions made; (d) All the matters discussed with those charged with governance; and (e) Any discussions with a professional body or regulator. 	
		R404.10 If the firm continues with the audit engagement, it shall also document the conclusion that, in the firm's professional judgment, objectivity has not been compromised and why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue an audit report.	

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290.100	<p>Paragraphs 290.102 to 290.228 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 audit team shall evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 200.12 to 200.15, can be applied when necessary to eliminate the threats to independence or reduce them to an acceptable level.</p>	400.3	<p>C1 describes facts and circumstances, including professional activities, interests and relationships that create or might create threats to independence. It describes the potential threats and safeguards that might be appropriate to address any threats by eliminating them or reducing them to an acceptable level. It identifies situations where no safeguards could reduce the threats to an acceptable level but does not describe all situations that might create a threat.</p>	
		400.4	<p>The conceptual framework requires a firm to evaluate the implications of similar, but different, facts and circumstances and determine whether the threat can be addressed by applying safeguards, including the safeguards in 300.2 A10 to eliminate the threats to independence or reduce them to an acceptable level.</p>	
290.101	<p>Paragraphs 290.102 to 290.125 contain references to the materiality of a financial interest, loan, or guarantee, or the significance of a business relationship. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family</p>	510.3	<p>Section 510 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 the individual's immediate family members may be taken into account.</p>	

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	members may be taken into account.	511.2	Section 511 contains references to the “materiality” of a loan or guarantee. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.	
		520.2	Section 520 contains references to the “materiality” or “significance” of a business relationship. For the purpose of determining whether such an interest is material or significant to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.	
290.102	<p>Holding a financial interest in an audit client may create a self-interest threat. The existence and significance of any threat created depends on:</p> <ul style="list-style-type: none"> (a) The role of the person holding the financial interest, (b) Whether the financial interest is direct or indirect, and (c) The materiality of the financial interest. 	510.1	<p>Holding a financial interest in an audit client might create a self-interest threat. The existence and significance of any threat depends on:</p> <ul style="list-style-type: none"> (a) The role of the individual holding the financial interest; (b) Whether the financial interest is direct or indirect; and (c) The materiality of the financial interest. 	
			Section 510 sets out requirements and application material on applying the conceptual framework to financial interests.	New introductory material

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290.103	Financial interests may be held through an intermediary (for example, a collective investment vehicle, estate or trust). The determination of whether such financial interests are direct or indirect will depend upon whether the beneficial owner has control over the investment vehicle or the ability to influence its investment decisions. When control over the investment vehicle or the ability to influence investment decisions exists, this Code defines that financial interest to be a direct financial interest. Conversely, when the beneficial owner of the financial interest has no control over the investment vehicle or ability to influence its investment decisions, this Code defines that financial interest to be an indirect financial interest.	510.2	Financial interests might be held directly or indirectly through an intermediary (for example, a collective investment vehicle, estate or 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 the ability to influence investment decisions, the Code defines that financial interest to be indirect.	
290.104	If a member of the audit team, a member of that individual's immediate family, or a firm has a direct financial interest or a material indirect financial interest in the audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have a direct financial interest or a material indirect financial interest in the client: a member of the audit team; a member of that individual's immediate family; or the firm.	R510.5	A direct financial interest or a material indirect financial interest in the audit client shall not be held by: <ul style="list-style-type: none"> (a) The firm or a network firm; (b) An audit team member, or any of that individual's immediate family; ... 	Network firm explicitly stated for clarity.
290.105	When a member of the audit team has a close family member who the audit team member knows has a direct financial interest or a material	R510.11	In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:	Underlined text is covered by CF language.

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Extant Code		Exposure Draft	Comments
	<p>indirect financial interest in the audit client, a self-interest threat is created. The significance of the threat will depend on factors such as:</p> <p>(a) The nature of the relationship between the member of the audit team and the close family member; and</p> <p>(b) The materiality of the financial interest to the close family member.</p> <p><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> <p>(a) The close family member disposing, as soon as practicable, of all of the financial interest or disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material;</p> <p>(b) Having a professional accountant review the work of the member of the audit team; or</p> <p>(c) Removing the individual from the audit team.</p>	<p>(a) If an audit team member knows that a close family member has a direct or material indirect financial interest in the audit client. (Ref: Para. 510.11 A1).</p> <hr/> <p>510.11 A1 A self-interest threat might be created if an audit team member has a close family member who the audit team member knows has a direct or material indirect financial interest in the audit client. The significance of any threat created depends on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the audit team member and the close family member. • The materiality of the financial interest to the close family member. <hr/> <p>510.11 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • The close family member disposing, as soon as practicable, of all of the financial interest or disposing of enough of an indirect financial interest so that the remaining interest is no longer material. • Having a professional accountant review the work of the audit team member. • Removing the individual from the audit team. 	

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290.106	If a member of the audit team, a member of that individual's immediate family, or a firm has a direct or material indirect financial interest in an entity that has a controlling interest in the audit client, and the client is material to the entity, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have such a financial interest: a member of the audit team; a member of that individual's immediate family; and the firm.	R510.7 When an entity has a controlling interest in an audit client and the audit client is material to the entity, neither the firm, nor a network firm, nor an audit team member, nor that individual's immediate family member shall hold a direct or material indirect financial interest in that entity.	Network firm explicitly stated for clarity.
290.107	The holding by a firm's retirement benefit plan of a direct or material indirect financial interest in an audit client creates a self-interest threat. <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>	R510.11 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120: ... (b) If the retirement benefit plan of a firm or a network firm holds a direct or material indirect financial interest in an audit client.	Network firm explicitly stated for clarity. Underlined text is covered by CF language.
290.108	If other partners in the office in which the engagement partner practices in connection with the audit engagement, or their immediate family members, hold a direct financial interest or a material indirect financial interest in that audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither such partners nor their immediate family members shall hold any such financial interests in such an audit client.	R510.5 A direct financial interest or a material indirect financial interest in the audit client shall not be held by: ... (c) Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that other partner's immediate family; ...	

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290.109	The office in which the engagement partner practices in connection with the audit engagement is not necessarily the office to which that partner is assigned. Accordingly, when the engagement partner is located in a different office from that of the other members of the audit team, professional judgment shall be used to determine in which office the partner practices in connection with that engagement.	510.5 A1	The office in which the engagement partner practices in connection with an audit engagement is not necessarily the office to which that partner is assigned. When the engagement partner is located in a different office from that of the other members of the audit team, professional judgment is needed to determine the office in which the partner practices in connection with the engagement.	The “shall” requirement to use professional judgment is inherent within the conceptual framework.
290.110	If other partners and managerial employees who provide non-audit services to the audit client, except those whose involvement is minimal, or their immediate family members, hold a direct financial interest or a material indirect financial interest in the audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, neither such personnel nor their immediate family members shall hold any such financial interests in such an audit client.	R510.5	A direct financial interest or a material indirect financial interest in the audit client shall not be held by: ... (d) Any other partner or managerial employee who provides non-audit services to the audit client, except for any whose involvement is minimal, or any of their immediate family.	
290.111	Despite paragraphs 290.108 and 290.110, the holding of a financial interest in an audit client by an immediate family member of: (a) A partner located in the office in which the engagement partner practices in connection with the audit engagement; or (b) A partner or managerial employee who provides non-audit services to the audit client is deemed not to compromise independence if the financial interest is	R510.6	As an exception to paragraph R510.5, an immediate family member identified in subparagraphs 510.5(c) or (d) may hold a direct or material indirect financial interest in an audit client, provided that: (a) The family member received the financial interest because of employment rights (for example, through pension or share option plans); (b) The family member disposes of or	

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<p>received as a result of the immediate family member's employment rights (for example, through pension or share option plans) and, when necessary, safeguards are applied to eliminate any threat to independence or reduce it to an acceptable level.</p> <p>However, when the immediate family member has or obtains the right to dispose of the financial interest or, in the case of a stock option, the right to exercise the option, the financial interest shall be disposed of or forfeited as soon as practicable.</p>	<p>forfeits the financial interest as soon as practicable when the family member has or obtains the right to do so, or in the case of a stock option, when the family member obtains the right to exercise the option; and</p> <p>(c) When necessary, the firm applies safeguards to eliminate any threat to independence or reduce it to an acceptable level.</p>	

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290.112	<p>A self-interest threat may be created if the firm or a member of the audit team, or a member of that individual's immediate family, has a financial interest in an entity and an audit client also has a financial interest in that entity. However, independence is deemed not to be compromised if these interests are immaterial and the audit client cannot exercise significant influence over the entity. If such interest is material to any party, and the audit client can exercise significant influence over the other entity, no safeguards could reduce the threat to an acceptable level. Accordingly, the firm shall not have such an interest and any individual with such an interest shall, before becoming a member of the audit team, either:</p> <p>(a) Dispose of the interest; or</p> <p>(b) Dispose of a sufficient amount of the interest so that the remaining interest is no longer material.</p>	R510.9	<p>(a) A firm, or a network firm, or an audit team member, or that individual's immediate family member shall not hold a financial interest in an entity when an audit client also has a financial interest in that entity, unless:</p> <p>(i) The financial interests are immaterial to the firm, the network firm, the audit team member, that individual's immediate family member and the audit client, as the case may be; or</p> <p>(ii) The audit client cannot exercise significant influence over the entity.</p> <p>(b) Before an individual can become an audit team member, the individual or that individual's immediate family member shall either:</p> <p>(i) Dispose of the interest; or</p> <p>(ii) Dispose of enough of the interest so that the remaining interest is no longer material.</p>	Network firm explicitly stated for clarity.
290.113	<p>A self-interest, familiarity or intimidation threat may be created if a member of the audit team, or a member of that individual's immediate family, or the firm, has a financial interest in an entity when a director, officer or controlling owner of the audit client is also known to have a financial interest in that entity. The existence and</p>	R510.11	<p>In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <p>(c) If an audit team member, or that individual's immediate family member, or the firm or a network firm, has a financial interest in an entity and a</p>	

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<p>significance of any threat will depend upon factors such as:</p> <p>(a) The role of the professional on the audit team;</p> <p>(b) Whether ownership of the entity is closely or widely held;</p> <p>(c) Whether the interest gives the investor the ability to control or significantly influence the entity; and</p> <p>(d) The materiality of the financial interest.</p> <p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <p>(a) Removing the member of the audit team with the financial interest from the audit team; or</p> <p>(b) Having a professional accountant review the work of the member of the audit team.</p>	<p>director or officer or controlling owner of the audit client is also known to have a financial interest in the same entity. (Ref: Para. 510.11 A3)</p> <p>510.11 A3 Self-interest, familiarity, or intimidation threats might be created if an audit team member, or that individual’s immediate family member, or the firm or a network firm has a financial interest in an entity when a director or officer or controlling owner of the audit client is also known to have a financial interest in that entity. The existence and significance of any threat depends upon factors such as:</p> <ul style="list-style-type: none"> • The role of the individual on the audit team. • Whether ownership of the entity is closely or widely held. • Whether the interest allows the investor to control or significantly influence the entity. • The materiality of the financial interest. <p>510.11 A4 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the audit team member with the financial interest from the audit team. • Having a professional accountant review the work of the audit team member. 	<p></p> <p>Network firm explicitly stated for clarity.</p> <p>Underlined text is covered by CF language</p>
290.114	R510.8 Paragraph R510.5 also applies to a financial	See also 510.5.

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	<p>team, or a member of that individual’s immediate family, of a direct financial interest or a material indirect financial interest in the audit client as a trustee creates a self-interest threat. Similarly, a self-interest threat is created when:</p> <p>(a) A partner in the office in which the engagement partner practices in connection with the audit;</p> <p>(b) Other partners and managerial employees who provide non-assurance services to the audit client, except those whose involvement is minimal; or</p> <p>(c) Their immediate family members, hold a direct financial interest or a material indirect financial interest in the audit client as trustee.</p> <p>Such an interest shall not be held unless:</p> <p>(a) Neither the trustee, nor an immediate family member of the trustee, nor the firm are beneficiaries of the trust;</p> <p>(b) The interest in the audit client held by the trust is not material to the trust;</p> <p>(c) The trust is not able to exercise significant influence over the audit client; and</p> <p>(d) The trustee, an immediate family member of the trustee, or the firm cannot significantly influence any investment decision involving a financial interest in the audit client.</p>	<p>interest in an audit client held as trustee as it does to other financial interests, unless:</p> <p>(a) None of the following is a beneficiary of the trust: the trustee, that individual’s immediate family member, the firm or a network firm;</p> <p>(b) The interest in the audit client held by the trust is not material to the trust;</p> <p>(c) The trust is not able to exercise significant influence over the audit client; and</p> <p>(d) None of the following can significantly influence any investment decision involving a financial interest in the audit client: the trustee, that individual’s immediate family member, the firm or a network firm.</p>	
290.115	Members of the audit team shall determine whether a self-interest threat is created by any known financial interests in the audit client held	R510.11 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:	Underlined text is covered by CF language

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<p>by other individuals including:</p> <p>(a) Partners and professional employees of the firm, other than those referred to above, or their immediate family members; and</p> <p>(b) Individuals with a close personal relationship with a member of the audit team.</p> <p>Whether these interests create a self-interest threat will depend on factors such as:</p> <ul style="list-style-type: none"> • The firm’s organizational, operating and reporting structure; and • The nature of the relationship between the individual and the member of the audit team. <p><u>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the member of the audit team with the personal relationship from the audit team; 	<p>...</p> <p>(d) If an audit team member knows that a financial interest in the audit client is held by other individuals, such as:</p> <p>(i) Partners and professional employees of the firm or network firm, in addition to those who are specifically not permitted to hold such financial interests by paragraph R510.5, or their immediate family members; or</p> <p>(ii) Individuals with a close personal relationship with an audit team member. (Ref: Para. 510.11 A5)</p> <hr/> <p>510.11 A5 Whether the interests set out in paragraph R510.11(d) create a self-interest threat depends on factors such as:</p> <ul style="list-style-type: none"> • The firm’s organizational, operating and reporting structure. • The nature of the relationship between the individual and the audit team member. 	

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	<ul style="list-style-type: none"> • Excluding the member of the audit team from any significant decision-making concerning the audit engagement; or • Having a professional accountant review the work of the member of the audit team. 	<p>510.11 A6 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the audit team member with the personal relationship from the audit team. • Excluding the audit team member from any significant decision-making concerning the audit engagement. • Having a professional accountant review the work of the audit team member. 	
290.116	<p>If a firm or a partner or employee of the firm, or a member of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit client, for example, by way of an inheritance, gift or as a result of a merger and such interest would not be permitted to be held under this section, then:</p> <p>(a) If the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material;</p> <p>(b) If the interest is received by a member of the audit team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer</p>	<p>R510.10 If a firm, a network firm or a partner or employee of the firm or a network firm, or that individual's immediate family member, receives a direct financial interest or a material indirect financial interest in an audit client by way of an inheritance, gift, as a result of a merger or in similar circumstances and the interest would not otherwise be permitted to be held under this section then:</p> <p>(a) If the interest is received by the firm or a network firm, or an audit team member or by that individual's immediate family member, the financial interest shall be disposed of immediately, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or</p> <p>(i) If the interest is received by an individual who is not an audit team member, or by an</p>	<p>Network firm explicitly stated for clarity.</p>

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	<p>material; or</p> <p>(c) If the interest is received by an individual who is not a member of the audit team, or by an immediate family member of the individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material. Pending the disposal of the financial interest, a determination shall be made as to whether any safeguards are necessary.</p>	<p>immediate family member of that individual, the financial interest shall be disposed of as soon as possible, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; and</p> <p>(ii) Pending the disposal of the financial interest, the firm shall determine whether safeguards are necessary.</p>	
290.117	<p>A loan, or a guarantee of a loan, to a member of the audit team, or a member of that individual's immediate family, or the firm from an audit client that is a bank or a similar institution may create a threat to independence. If the loan or guarantee is not made under normal lending procedures, terms and conditions, a self-interest threat would be created that would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, neither a member of the audit team, a member of that individual's immediate family, nor a firm shall accept such a loan or guarantee.</p>	<p>R511.4 A firm, a network firm, an audit team member, or that individual's immediate family member shall not accept a loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.</p>	<p>Network firm explicitly stated for clarity.</p>

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290.118	If a loan to a firm from an audit client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the audit client or firm receiving the loan, it may be possible to apply safeguards to reduce the self-interest threat to an acceptable level. An example of such a safeguard is having the work reviewed by a professional accountant from a network firm that is neither involved with the audit nor received the loan.	511.4 A1 If a loan to a firm or network firm from an audit client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the audit client or firm receiving the loan, it might be possible to apply safeguards to reduce the self-interest threat to an acceptable level.	Network firm explicitly stated for clarity.
		511.4 A2 An example of such a safeguard is having the work reviewed by a professional accountant from a network firm that is neither involved with the audit nor received the loan.	
290.119	A loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution to a member of the audit team, or a member of that individual's immediate family, does not create a threat to independence if the loan or guarantee is made under normal lending procedures, terms and conditions. Examples of such loans include home mortgages, bank overdrafts, car loans and credit card balances.	511.4 A3 A loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution to an audit team member, or that individual's immediate family member, 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.	
290.120	If the firm or a member of the audit team, or a member of that individual's immediate family, accepts a loan from, or has a borrowing guaranteed by, an audit client that is not a bank or similar institution, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both (a) the firm or the member of the audit team and the immediate family	R511.5 A firm, a network firm, an audit team member, or that individual's immediate family member shall not accept a loan from, or have a borrowing guaranteed by, an audit client that is not a bank or similar institution, unless the loan or guarantee is immaterial to: (a) The firm, the network firm, or the audit team member and the immediate family member receiving the loan, as	Network firm explicitly stated for clarity.

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	member, and (b) the client.	the case may be; and (b) The client.	
290.121	Similarly, if the firm or a member of the audit team, or a member of that individual's immediate family, makes or guarantees a loan to an audit client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both (a) the firm or the member of the audit team and the immediate family member, and (b) the client.	R511.6 A firm, a network firm, an audit team member, or that individual's immediate family member shall not make or guarantee a loan to an audit client unless the loan or guarantee is immaterial to: (a) The firm, the network firm, or the audit team member and the immediate family member making the loan or guarantee, as the case may be; and (b) The client.	Network firm explicitly stated
290.122	If a firm or a member of the audit team, or a member of that individual's immediate family, has deposits or a brokerage account with an audit client that is a bank, broker or similar institution, a threat to independence is not created if the deposit or account is held under normal commercial terms.	R511.7 A firm, a network firm, an audit team member, or that individual's immediate family member shall not have deposits or a brokerage account with an audit client that is a bank, broker or similar institution, unless the deposit or account is held under normal commercial terms.	Network firm explicitly stated for clarity.
290.123	A close business relationship between a firm, or a member of the audit team, or a member of that individual's immediate family, and the audit client or its management, arises from a commercial relationship or common financial interest and may create self-interest or intimidation threats. Examples of such relationships include: <ul style="list-style-type: none"> Having a financial interest in a joint venture with either the client or a controlling owner, director, officer or other individual who performs senior managerial 	520.1 A close business relationship between an audit client and a firm, a network firm, an audit team member, or that individual's immediate family member might create self-interest or intimidation threats. Section 520 sets out requirements and application material on applying the conceptual framework to these business relationships.	Network firm explicitly stated for clarity.
		520.4 A1 Examples of a close business relationship arising from a commercial relationship or common financial interest include:	

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<p>activities for that client.</p> <ul style="list-style-type: none"> • Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties. • Distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or services. <p>Unless any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, unless the financial interest is immaterial and the business relationship is insignificant, the business relationship shall not be entered into, or it shall be reduced to an insignificant level or terminated.</p> <p>In the case of a member of the audit team, unless any such financial interest is immaterial and the relationship is insignificant to that</p>	<ul style="list-style-type: none"> • Having a financial interest in a joint venture with either the client or a controlling owner, director, officer or other individual who performs senior managerial activities for that client. • Arrangements to combine one or more services or products of the firm or the network firm with one or more services or products of the client and to market the package with reference to both parties. • Distribution or marketing arrangements under which the firm or the network firm distributes or markets the client's products or services, or the client distributes or markets the firm's or the network firm's products or services. <p>R520.4 The firm, a network firm or an audit team member shall not have a close business relationship with an audit client or its management unless the financial interest is immaterial and the business relationship is insignificant to the firm, the network firm or the audit team member, as the case may be, and the client or its management.</p>	<p></p> <p>Network firm explicitly stated for clarity.</p>

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	<p>member, the individual shall be removed from the audit team.</p> <p>If the business relationship is between an immediate family member of a member of the audit team and the audit client or its management, the significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p>			Covered by CF language.
290.124	<p>A business relationship involving the holding of an interest by the firm, or a member of the audit team, or a member of that individual's immediate family, in a closely-held entity when the audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity does not create threats to independence if:</p>	R520.5	<p>The firm, a network firm, an audit team member, or that individual's immediate family member shall not have a business relationship involving the holding of an interest in a closely-held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:</p>	Network Firm specified for clarity.
	<p>(a) The business relationship is insignificant to the firm, the member of the audit team and the immediate family member, and the client;</p> <p>(b) The financial interest is immaterial to the investor or group of investors; and</p> <p>(c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.</p>	<p>(a) The business relationship is insignificant to the firm, the network firm, or the audit team member and the immediate family member, as the case may be, and the client;</p> <p>(b) The financial interest is immaterial to the investor or group of investors; and</p> <p>(c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.</p>		
290.125	<p>The purchase of goods and services from an audit client by the firm, or a member of the audit team, or a member of that individual's immediate</p>	520.6 A1	<p>The purchase of goods and services from an audit client by a firm, a network firm, an audit team member, or a that individual's</p>	Network firm explicitly stated

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Extant Code		Exposure Draft	Comments
	<p>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> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction; or • Removing the individual from the audit team. 	<p>immediate family member 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>520.6 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction. • Removing the individual from the audit team. 	<p>for clarity. Underlined text is covered by CF language.</p>

Extant Code		Exposure Draft	Comments
290.126	<p>Family and personal relationships between a member of the audit team and a director or officer or other employees (depending on their role) of the audit client may create self-interest, familiarity or intimidation threats.</p>	<p>521.1 A family or personal relationship between an audit team member and a director or officer or other employees of the audit client (depending on their role) might create self-interest, familiarity or intimidation threats. Section 521 sets out requirements and application material on applying the conceptual framework to these family or personal relationships.</p>	<p>New introductory material.</p>

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Extant Code		Exposure Draft	Comments
	<p>The existence and significance of any threats will depend on a number of factors, including the individual's responsibilities on the audit team, the role of the family member or other individual within the client and the closeness of the relationship.</p>	<p>521.2 A1 The existence and significance of any threats created by family and personal relationships will depend on a number of factors, including the individual's responsibilities on the audit team, the role of the family member or other individual within the client and the closeness of the relationship.</p>	
<p>290.127</p>	<p>When an immediate family member of a member of the audit team is:</p> <ul style="list-style-type: none"> (a) a director or officer of the audit client; or (b) an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, <p>or was in such a position during any period covered by the engagement or the financial statements, <u>the threats to independence can only be reduced to an acceptable level by removing the individual from the audit team. The closeness of the relationship is such that no other safeguards could reduce the threat to an acceptable level. Accordingly, no individual who has such a relationship shall be a member of the audit team.</u></p>	<p>R521.3 An individual shall not participate as an audit team member when that individual's immediate family member:</p> <ul style="list-style-type: none"> (a) Is a director or officer of the audit client; (b) Is an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion; or (c) Was in any such position during any period covered by the engagement or the financial statements. 	<p>Underlined text is covered by CF language.</p>

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Extant Code		Exposure Draft	Comments
290.128	<p>Threats to independence are created when an immediate family member of a member of the audit team is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows. The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position held by the immediate family member; and • The role of the professional on the audit team. <p><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><u>Examples of such safeguards include:</u></p> <ul style="list-style-type: none"> • Removing the individual from the audit team; or • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the immediate family member. 	<p>521.3 A1 Threats to independence are created when an immediate family member of an audit team member is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows.</p> <p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position held by the immediate family member. • The role of the professional on the audit team. <hr/> <p>521.3 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team. • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the immediate family member. 	Underlined text is covered by CF language.
290.129	<p>Threats to independence are created when a close family member of a member of the audit team is:</p> <p>(a) A director or officer of the audit client; or</p> <p>(b) An employee in a position to exert</p>	<p>521.4 A1 Threats to independence are created when a close family member of an audit team member is:</p> <p>(a) A director or officer of the audit client; or</p> <p>(b) An employee in a position to exert</p>	Underlined text is covered CF language.

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Extant Code		Exposure Draft	Comments
	<p>significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.</p> <p>The 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 audit team and the close family member; • The position held by the close family member; and • The role of the professional on the audit team. <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 audit team; or • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the close family member. 	<p>significant influence over the preparation of:</p> <ul style="list-style-type: none"> (i) The client's accounting records; or (ii) The financial statements on which the firm will express an opinion. <p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the audit team member and the close family member. • The position held by the close family member. • The role of the professional on the audit team. <hr/> <p>521.4 A3 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team. • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the close family member. 	

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Extant Code		Exposure Draft		Comments
290.130	<p>Threats to independence are created when a member of the audit team has a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion. A member of the audit team who has such a relationship shall consult in accordance with firm policies and procedures.</p>	R521.5	<p>An audit team member shall consult in accordance with firm policies and procedures if the audit team member has a close relationship with an individual who is not an immediate or close family member, but who is:</p> <p>(a) A director or officer; or</p> <p>(b) An employee in a position to exert significant influence over the preparation of:</p> <p>(i) The client’s accounting records; or</p> <p>(ii) The financial statements on which the firm will express an opinion.</p>	Underlined text is covered by CF language.
	<p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the individual and the member of the audit team; • The position the individual holds with the client; and • The role of the professional on the audit team. <p><u>The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the professional from the 	521.5 A1	<p>The significance of the threats created by a relationship set out in paragraph R521.5 will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the relationship between the individual and the audit team member. • The position the individual holds with the client. • The role of the professional on the audit team. 	
	<ul style="list-style-type: none"> • Removing the professional from the 	521.5 A2	<p>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the professional from the audit team. • Structuring the responsibilities of the 	

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Extant Code		Exposure Draft		Comments
	<p>audit team; or</p> <p>Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the individual with whom the professional has a close relationship.</p>		<p>audit team so that the professional does not deal with matters that are within the responsibility of the individual with whom the professional has a close relationship.</p>	
290.131	<p>Self-interest, familiarity or intimidation threats may be created by a personal or family relationship between</p> <p>(a) a partner or employee of the firm who is not a member of the audit team and</p> <p>(b) a director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion. Partners and employees of the firm who are aware of such relationships shall consult in accordance with firm policies and procedures.</p>	R521.6	<p>Partners and employees of the firm shall consult in accordance with firm policies and procedures if they are aware of a personal or family relationship between:</p> <p>(a) A partner or employee of the firm who is not an audit team member; and</p> <p>(b) A director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.</p>	Underlined text is covered by CF language.
	<p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client; The interaction of the partner or employee of the firm with the audit 	521.6 A1	<p>The existence and significance of any threat will depend on factors such as:</p> <ul style="list-style-type: none"> The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client. The interaction of the partner or employee of the firm with the audit 	

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Extant Code		Exposure Draft	Comments
	<p>team;</p> <ul style="list-style-type: none"> The position of the partner or employee within the firm; and The position the individual holds with 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>Examples of such safeguards include:</p> <ul style="list-style-type: none"> Structuring the partner's or employee's responsibilities to reduce any potential influence over the audit engagement; or Having a professional accountant review the relevant audit work performed. 	<p>team.</p> <ul style="list-style-type: none"> The position of the partner or employee within the firm. The position the individual holds with the client. <hr/> <p>521.6 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> Structuring the partner's or employee's responsibilities to reduce any potential influence over the audit engagement. Having a professional accountant review the relevant audit work performed. 	
290.132	<p>Familiarity or intimidation threats may be created if a director or officer of the audit client, or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, has been a member of the audit team or partner of the firm.</p>	<p>524.1</p> <p>An employment relationship between a former partner or employee of a firm and an audit client might create familiarity or intimidation threats. In particular, such threats might be created if any of the following individuals have been an audit team member or partner of the firm:</p> <ul style="list-style-type: none"> A director or officer of the audit client. An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements 	

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		on which the firm will express an opinion.	
		Section 524 sets out requirements and application material on applying the conceptual framework to these employment relationships.	New introductory language.
290.133	<p>If a former member of the audit team or partner of the firm has joined the audit client in such a position and a significant connection remains between the firm and the individual, the threat would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, independence would be deemed to be compromised if a former member of the audit team or partner joins the audit client as a director or officer, or as an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, unless:</p> <p>(a) The individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements, and any amount owed to the individual is not material to the firm; and</p> <p>(b) The individual does not continue to participate or appear to participate in the firm's business or</p>	<p>R524.2 The firm shall ensure that no significant connection remains between the firm and:</p> <ul style="list-style-type: none"> • A former partner who joins an audit client of the firm; or • A former audit team member who joins the audit client, <p>if either has joined the audit client as:</p> <p>(a) A director or officer; or</p> <p>(b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.</p>	
		<p>524.3 A1 A significant connection remains between the firm and the individual, unless:</p> <p>(a) The individual is not entitled to any benefits or payments from the firm that are not made in accordance with fixed pre-determined arrangements;</p> <p>(b) Any amount owed to the individual is not material to the firm; and</p>	

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	professional activities.	(c) The individual does not continue to participate or appear to participate in the firm’s business or professional activities.	
290.134	If a former member of the audit team or partner of the firm has joined the audit client in such a position, and no significant connection remains between the firm and the individual,	524.3 A2 If one of those individuals joins the audit client in such a position and no significant connection remains between the firm and the individual, the existence and significance of any familiarity or intimidation threats created will depend on factors such as: ...	
	<p>the existence and significance of any familiarity or intimidation threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual has taken at the client; • Any involvement the individual will have with the audit team; • The length of time since the individual was a member of the audit team or partner of the firm; and • The former position of the individual within the audit team or firm. An example includes, whether the individual was responsible for maintaining regular contact with the client’s management or those charged with governance. <p><u>The significance of any threats created shall be evaluated and</u></p>	<p>524.3 A2 ... the existence and significance of any familiarity or intimidation threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual has taken at the client. • Any involvement the individual will have with the audit team. • The length of time since the individual was an audit team member or partner of the firm. • The former position of the individual within the audit team or firm. An example includes whether the individual was responsible for maintaining regular contact with the client’s management or those charged with governance. <p>524.3 A3 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Modifying the audit plan. 	Underlined text is covered by CF language.

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Extant Code		Exposure Draft	Comments
	<p><u>safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</u> Examples of safeguards include:</p> <ul style="list-style-type: none"> • Modifying the audit plan; • Assigning individuals to the audit team who have sufficient experience in relation to the individual who has joined the client; or • Having a professional accountant review the work of the former member of the audit team. 	<ul style="list-style-type: none"> • Assigning individuals to the audit team who have sufficient experience in relation to the individual who has joined the client. • Having a professional accountant review the work of the former audit team member. 	
290.135	<p>If a former partner of the firm has previously joined an entity in such a position and the entity subsequently becomes an audit client of the firm, <u>the significance of any threat to independence shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u></p>	<p>524.3 A4 The requirement to apply the conceptual framework also applies if, prior to an entity becoming an client of the firm, a former partner of the firm has joined the entity as:</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 preparation of the client’s accounting records or the financial statements on which the firm will express an opinion. 	<p>Underlined text is covered by CF language.</p>
290.136	<p>A self-interest threat is created when a member of the audit team participates in the audit engagement while knowing that the member of the audit team will, or may,</p>	<p>524.4 A1 A self-interest threat is created when an audit team member participates in the audit engagement while knowing that the audit team member will, or might, join the</p>	<p>Underlined text is covered by CF language.</p>

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	<p>join the client some time in the future.</p>	<p>client at some time in the future.</p>	
	<p>Firm policies and procedures shall require members of an audit team to notify the firm when entering employment negotiations with the client. On receiving such notification, <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>R524.4 A firm shall:</p> <p>(a) Have policies and procedures that require audit team members to notify the firm when entering employment negotiations with an audit client; and</p> <p>(b) On receiving such notification, apply the conceptual framework.</p>	
	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team; or • A review of any significant judgments made by that individual while on the team. 	<p>524.4 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team. • Reviewing any significant judgments made by that individual while on the team. 	
<p>290.137</p>	<p>Familiarity or intimidation threats are created when a key audit partner joins the audit client that is a public interest entity as:</p> <p>(a) A director or officer of the entity; or</p> <p>(b) An employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion.</p> <p>Independence would be deemed to be compromised unless, subsequent to the partner ceasing to be a key audit partner, the public interest entity had issued</p>	<p>R524.5 If an individual who was a key audit partner joins an audit client of the firm that is a public interest entity as:</p> <ul style="list-style-type: none"> • A director or officer; or • An employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion, <p>independence is compromised, unless subsequent to the partner ceasing to be a key audit partner:</p> <p>(a) The public interest entity has issued audited financial statements</p>	

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	audited financial statements covering a period of not less than twelve months and the partner was not a member of the audit team with respect to the audit of those financial statements.	<p>covering a period of not less than twelve months; and</p> <p>(b) The partner was not an audit team member with respect to the audit of those financial statements.</p>	
290.138	<p>An intimidation threat is created when the individual who was the firm’s Senior or Managing Partner (Chief Executive or equivalent) joins an audit client that is a public interest entity as:</p> <p>(a) An employee in a position to exert significant influence over the preparation of the entity’s accounting records or its financial statements; or</p> <p>(b) A director or officer of the entity.</p> <p>Independence would be deemed to be compromised unless twelve months have passed since the individual was the Senior or Managing Partner (Chief Executive or equivalent) of the firm.</p>	<p>R524.6 If an individual who was the Chief Executive, or equivalent, of the firm joins an audit client that is a public interest entity as:</p> <p>(a) A director or officer; or</p> <p>(b) An employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion,</p> <p>independence is compromised, unless twelve months have passed since the individual was the Chief Executive, or equivalent, of the firm.</p>	
290.139	<p>Independence is deemed not to be compromised if, as a result of a business combination, a former key audit partner or the individual who was the firm’s former Senior or Managing Partner is in a position as described in paragraphs 290.137 and 290.138, and:</p> <p>(a) The position was not taken in contemplation of the business</p>	<p>524.7 A1 Independence is not compromised if the circumstances set out in paragraphs R524.5 and R524.6 arise as a result of a business combination and:</p> <p>(a) The position was not taken in contemplation of the business combination;</p> <p>(b) Any benefits or payments due to the former partner from the firm have</p>	

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	<p>combination;</p> <p>(b) Any benefits or payments due to the former partner from the firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm;</p> <p>(c) The former partner does not continue to participate or appear to participate in the firm’s business or professional activities; and</p> <p>(d) The position held by the former partner with the audit client is discussed with those charged with governance.</p>		<p>been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm;</p> <p>(c) The former partner does not continue to participate or appear to participate in the firm’s business or professional activities; and</p> <p>(d) The firm discusses the position held with the audit client by the former partner with those charged with governance.</p>	
290.140	The lending of staff by a firm to an audit client may create a self-review threat.	525.1	The loan of personnel by a firm or network firm to an audit client might create a self-review threat. Section 525 sets out requirements and application material on applying the conceptual framework to loans of firm personnel to an audit client.	New introductory material. Network firm explicitly stated for clarity.
	<p>Such assistance may be given, but only for a short period of time and the firm’s personnel shall not be involved in:</p> <p>(a) Providing non-assurance services that would not be permitted under this section; or</p> <p>(b) Assuming management responsibilities.</p>	R525.3	<p>A firm or network firm shall not loan personnel to an audit client unless:</p> <p>(a) Such assistance is provided only for a short period of time; and</p> <p>(b) The personnel are not involved in:</p> <p>(i) Providing non-assurance services that would not be permitted under C1; or</p>	Network firm explicitly stated for clarity.

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	In all circumstances, the audit client shall be responsible for directing and supervising the activities of the loaned staff.	(ii) Assuming management responsibilities. In all circumstances, the audit client is responsible for directing and supervising the activities of the loaned personnel.	
	The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.		Covered by CF language.
	Examples of such safeguards include: <ul style="list-style-type: none"> • Conducting an additional review of the work performed by the loaned staff; • Not giving the loaned staff audit responsibility for any function or activity that the staff performed during the temporary staff assignment; or • Not including the loaned staff as a member of the audit team. 	525.2 A1 <i>Examples of safeguards that might be available to address a threat created by the loan of personnel by a firm or a network firm to an audit client include:</i> <ul style="list-style-type: none"> • <i>Conducting an additional review of the work performed by the loaned personnel.</i> • <i>Not including the loaned personnel as an audit team member.</i> • <i>Not giving the loaned personnel audit responsibility for any function or activity that the personnel performed during the loaned personnel assignment.</i> 	Network firm explicitly stated for clarity.
290.141	Self-interest, self-review or familiarity threats may be created if a member of the audit team has recently served as a director, officer, or employee of the audit client. This would be the case when, for example, a member of the audit team has to evaluate elements of the financial	522.1 Self-interest, self-review or familiarity threats might be created if an audit team member has recently served as a director or officer, or employee of the audit client. For example, an audit team member might have to evaluate elements of the financial statements when that individual prepared	New introductory language.

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	statements for which the member of the audit team had prepared the accounting records while with the client.	the relevant accounting records while with the client. Section 522 sets out requirements and application material on applying the conceptual framework in circumstances where audit team members have served with an audit client.	
290.142	If, during the period covered by the audit report, a member of the audit team had served as a director or officer of the audit client, or was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Consequently, such individuals shall not be assigned to the audit team.	R522.3 The audit team shall not include an individual who, during the period covered by the audit report: (a) Had served as a director or officer of the audit client; or (b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.	
290.143	Self-interest, self-review or familiarity threats may be created if, before the period covered by the audit report, a member of the audit team had served as a director or officer of the audit client, or was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion.	522.3 A1 Self-interest, self-review or familiarity threats might be created if, before the period covered by the audit report, an audit team member: (a) Had served as a director or officer of the audit client; or (b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion.	

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	For example, such threats would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current audit engagement	For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current audit engagement.	
	<p>The existence and significance of any threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual held with the client; • The length of time since the individual left the client; and • The role of the professional on the audit team. 	<p>522.3 A2 The existence and significance of any threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position the individual held with the client. • The length of time since the individual left the client. • The role of the professional on the audit team. 	
	The significance of any threat shall be evaluated and safeguards applied when necessary to reduce the threat to an acceptable level.		Covered by CF language.
	An example of such a safeguard is conducting a review of the work performed by the individual as a member of the audit team.	522.3 A3 <i>An example of a safeguard is conducting a review of the work performed by the individual as an audit team member.</i>	
290.144	If a partner or employee of the firm serves as a director or officer of an audit client, the self-review and self-interest threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Accordingly, no partner or employee shall serve as a director or	523.1 Self-review and self-interest threats are created if a partner or employee of the firm or a network firm serves as a director or officer of an audit client. Section 523 sets out requirements on applying the conceptual framework in these circumstances.	New introductory material Network firm explicitly stated for clarity.

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Extant Code		Exposure Draft		Comments
	officer of an audit client.	R523.3	A partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.	Network firm explicitly stated for clarity.
290.145	The position of Company Secretary has different implications in different jurisdictions. Duties may range from administrative duties, such as personnel management and the maintenance of company records and registers, to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity.	523.2	The position of Company Secretary has different implications in different jurisdictions. Duties might range from: administrative duties, such as personnel management and the maintenance of company records and registers; to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity. (See also Section 600 and Subsections 601 and 602 in relation to providing non-assurance services to an audit client).	Network firm explicitly stated for clarity.
290.146	If a partner or employee of the firm serves as Company Secretary for an audit client, self-review and advocacy threats are created that would generally be so significant that no safeguards could reduce the threats to an acceptable level. Despite paragraph 290.144, when this practice is specifically permitted under local law, professional rules or practice, and provided management makes all relevant decisions, the duties and activities shall be limited to those of a routine and administrative nature, such as preparing minutes and maintaining	R523.4	A partner or employee of the firm or a network firm shall not serve as Company Secretary for an audit client of the firm, unless: <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. 	Network firm explicitly stated for clarity.

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Extant Code		Exposure Draft	Comments
	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.	R523.4 ... A firm shall apply the conceptual framework set out in Section 120 if a partner or employee of the firm or a network firm performs those duties and activities for an audit client. ...	
290.147	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.	523.2 ... (See also Section 600 and Subsections 601 and 602 in relation to providing non-assurance services to an audit client).	
Sections 290.148 to 290.153 (Long Association) are not included in the extract from the extant Code as they currently under review.			
Sections 290.154 to 290.216 (Non- Assurance Services) are not included in the extract from the extant Code as they will be included with a second exposure draft.			
290.217	When the total fees from an audit client represent a large proportion of the total fees of the firm expressing the audit opinion, the dependence on that client and concern about losing the client creates a self-interest or intimidation threat. The significance of the threat will depend on factors such as: <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 	410.3 A1 When the total fees generated from an audit client by the firm expressing the audit opinion represent a large proportion of the total fees of that firm, the dependence on that client and concern about losing the client 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. • The significance of the client 	Underlined text is covered by CF language.

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Extant Code		Exposure Draft	Comments
	<p>the firm.</p> <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><u>Examples of such safeguards include:</u></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 audit judgments. 	<p>qualitatively and/or quantitatively to the firm.</p> <hr/> <p>410.3 A2 Examples of safeguards 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 or regulatory body or a professional accountant, on key audit judgments. 	
290.218	<p>A self-interest or intimidation threat is also created when the fees generated from an audit client represent a large proportion of the revenue from an individual partner's clients or a large proportion of the revenue of an individual office of the firm.</p> <p>The significance of the threat will depend upon factors such as:</p> <ul style="list-style-type: none"> • The significance of the client qualitatively and/or quantitatively to the partner or office; and • The extent to which the remuneration of the partner, or the partners in the office, is dependent upon the fees generated from the client. <p><u>The significance of the threat shall be</u></p>	<p>410.3 A3 A self-interest or intimidation threat is also created when the fees generated by the firm from an audit client represent a large proportion of the revenue of one partner or one office of the firm.</p> <p>The significance of the threat will depend upon factors such as:</p> <ul style="list-style-type: none"> • The significance of the client qualitatively and/or quantitatively to the partner or office. • The extent to which the remuneration of the partner, or the partners in the office, is dependent upon the fees generated from the client. <hr/> <p>410.3 A4 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Reducing dependence on the audit 	Underlined text is covered by CF language.

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Extant Code		Exposure Draft	Comments
	<p><u>evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</u> Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Reducing the dependency on the audit client; • Having a professional accountant review the work or otherwise advise as necessary; or • Regular independent internal or external quality reviews of the engagement. 	<p>client.</p> <ul style="list-style-type: none"> • Having a professional accountant review the work or otherwise advise as necessary. • Regular independent internal or external quality reviews of the engagement. 	
290.219	<p>Where an audit client is a public interest entity and, for two consecutive years, the total fees from the client and its related entities (subject to the considerations in paragraph 290.27) represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall disclose to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm, and discuss which of the safeguards below it will apply to reduce the threat to an acceptable level, and apply the selected safeguard:</p> <ul style="list-style-type: none"> • Prior to the issuance of the audit opinion on the second year's financial statements, a professional 	<p>R410.4 Where an audit client is a public interest entity and, for two consecutive years, the total fees from the client and its related entities (subject to the considerations in paragraph in R400.11) represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall:</p> <ul style="list-style-type: none"> (a) Disclose to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm; and (b) Discuss which of the safeguards below it will apply to reduce the threat to an acceptable level, and apply the selected safeguard: <ul style="list-style-type: none"> (i) Prior to the audit opinion being issued on the second year's 	

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	<p>accountant, who is not a member of the firm expressing the opinion on the financial statements, performs an engagement quality control review of that engagement or a professional regulatory body performs a review of that engagement that is equivalent to an engagement quality control review (“a pre-issuance review”); or</p> <ul style="list-style-type: none"> • After the audit opinion on the second year’s financial statements has been issued, and before the issuance of the audit opinion on the third year’s financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional regulatory body performs a review of the second year’s audit that is equivalent to an engagement quality control review (“a post-issuance review”). 	<p>financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, performs an engagement quality control review of that engagement; or a professional body performs a review of that engagement that is equivalent to an engagement quality control review (“a pre-issuance review”); or</p> <p>(ii) After the audit opinion on the second year’s financial statements has been issued, and before the audit opinion being issued on the third year’s financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional body performs a review of the second year’s audit that is equivalent to an engagement quality control review (“a post-issuance review”).</p>	
	<p>When the total fees significantly exceed 15%, the firm shall determine whether the significance of the threat is such that a</p>	<p>R410.5 When the total fees described in R410.4 significantly exceed 15%, the firm shall:</p> <p>(a) Determine whether the significance</p>	

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	post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review is required. In such circumstances a pre-issuance review shall be performed.	<p>of the threat is such that a post-issuance review would not reduce the threat to an acceptable level; and</p> <p>(b) In such circumstances, have a pre-issuance review performed.</p>	
	Thereafter, when the fees continue to exceed 15% each year, the disclosure to and discussion with those charged with governance shall occur and one of the above safeguards shall be applied. If the fees significantly exceed 15%, the firm shall determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review is required. In such circumstances a pre-issuance review shall be performed.	<p>R410.6 If the fees described in R410.4 continue to exceed 15%, the firm shall each year:</p> <p>(a) Disclose to and discuss with those charged with governance the matters set out in paragraph R410.4; and</p> <p>(b) Comply with the provisions set out in paragraphs R410.4(b) and R410.5.</p>	
290.220	A self-interest threat may be created if fees due from an audit client remain unpaid for a long time, especially if a significant part is not paid before the issue of the audit report for the following year. Generally the firm is expected to require payment of such fees before such audit report is issued.	410.7 A1 A self-interest threat might be created if a significant part of fees is not paid before the audit report for the following year is issued. It is <u>generally appropriate</u> for the firm to require payment of such fees before such audit report is issued. The provisions of Section 511 with respect to loans and guarantees might also be relevant to situations where such unpaid fees exist.	The IESBA believes that “generally” sets the proper level of rigor with necessary flexibility to exercise judgment.
	If fees remain unpaid after the report has been issued, the existence and significance of any threat shall be		Covered by CF language.

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Extant Code		Exposure Draft	Comments
	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 did not take part in the audit engagement provide advice or review the work performed.	<i>410.7 A2 An example of a safeguard is having an additional professional accountant, who did not take part in the audit engagement, provide advice or review the work performed.</i>	
	The firm shall determine whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed or continue the audit engagement.	R410.7 When a significant part of fees due from an audit client remain unpaid for a long time, the firm shall determine: (a) Whether the overdue fees might be equivalent to a loan to the client; and (b) Whether it is appropriate for the firm to be re-appointed or continue the audit engagement because of the significance of the overdue fees.	
290.221	Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. For the purposes of this section, a fee is not regarded as being contingent if established by a court or other public authority.	410.9 A1 Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. For the purposes of this section, a fee is not regarded as being contingent if established by a court or other public authority.	
290.222	A contingent fee charged directly or indirectly, for example through an intermediary, by a firm in respect of an audit engagement creates a self-interest threat that is so significant that no	R410.8 A firm shall not charge directly or indirectly, for example through an intermediary, a contingent fee for an audit engagement.	

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Extant Code		Exposure Draft		Comments
	safeguards could reduce the threat to an acceptable level. Accordingly, a firm shall not enter into any such fee arrangement.			
290.223	<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 audit client may also create a self-interest threat. The threat created would be so significant that no safeguards could reduce the threat to an acceptable level if:</p> <ul style="list-style-type: none"> • The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm; • The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or • The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements. <p>Accordingly, such arrangements shall not be accepted.</p>	R410.9	<p>A firm or network firm shall not charge directly or indirectly, for example through an intermediary, a contingent fee for a non-assurance service provided to an audit client, if:</p> <ul style="list-style-type: none"> (a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm; (b) The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or (c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements. 	
290.224	For other contingent fee arrangements charged by a firm for a non-assurance	410.9 A2	Paragraphs R410.8 and R410.9 preclude a firm or a network firm from entering into	Underlined text covered by CF

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Extant Code		Exposure Draft	Comments
	<p>service to an audit 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 financial statements. <p><u>The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.</u></p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the relevant audit work or otherwise advise as necessary; or • Using professionals who are not members of the audit team to perform the non-assurance service. 	<p>certain contingent fee arrangements with an audit client. Even if such contingent fee arrangements are not precluded when providing a non-assurance service to an audit client, threats might still be created. 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 on which the contingent fee depends. • The nature of the service. • The effect of the event or transaction on the financial statements. <hr/> <p>410.9 A3 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Having a professional accountant review the relevant audit work or otherwise advise as necessary. • Using professionals who are not members of the audit team to perform the non-assurance service. 	<p>language. Network firm explicitly stated for clarity.</p>
290.225	<p>A self-interest threat is created when a member of the audit team is evaluated on or compensated for selling non-assurance services to that audit client.</p> <p>The significance of the threat will depend on:</p>	<p>411.2 A1 When an audit team member for a particular audit client is evaluated on or compensated for selling non-assurance services to that audit client, the significance of the threat will depend on:</p> <p>(a) What proportion of the compensation or evaluation is based</p>	<p>Underlined text covered by CF language.</p>

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<ul style="list-style-type: none"> • The proportion of the individual's compensation or performance evaluation that is based on the sale of such services; • The role of the individual on the audit team; and • Whether promotion decisions are influenced by the sale of such services. <p><u>The significance of the threat shall be evaluated and, if the threat is not at an acceptable level, the firm shall either revise the compensation plan or evaluation process for that individual or apply safeguards to eliminate the threat or reduce it to an acceptable level.</u></p> <p><u>Examples of such safeguards include:</u></p> <ul style="list-style-type: none"> • Removing such members from the audit team; or • Having a professional accountant review the work of the member of the audit team. 	<p style="text-align: right;">on the sale of such services;</p> <p>(b) The role of the individual on the audit team; and</p> <p>(c) Whether the sale of such non-assurance services influences promotion decisions.</p> <hr/> <p>411.2 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Revising the compensation plan or evaluation process for that individual. • Removing such members from the audit team. • Having a professional accountant review the work of the audit team member. 	
<p>290.226</p> <p>A key audit partner shall not be evaluated on or compensated based on that partner's success in selling non-assurance services to the partner's audit client. This is not intended to prohibit normal profit-sharing arrangements between partners of a firm.</p>	<p>R411.3</p> <p>A key audit partner shall not be evaluated or compensated based on that partner's success in selling non-assurance services to the partner's audit client. This requirement does not preclude normal profit-sharing arrangements between partners of a firm.</p>	
<p>290.227</p> <p>Accepting gifts or hospitality from an audit client may create self-interest and</p>	<p>420.1</p> <p>Accepting gifts or hospitality from an audit client might create self-interest and</p>	

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Extant Code		Exposure Draft		Comments
	familiarity threats. If a firm or a member of the audit team accepts gifts or hospitality, unless the value is trivial and inconsequential, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Consequently, a firm or a member of the audit team shall not accept such gifts or hospitality.		familiarity threats. Section 420 sets out requirements on applying the conceptual framework to evaluating gifts and hospitality.	
		R420.2	A firm shall apply the conceptual framework set out in Section 120 to accepting gifts or hospitality from an audit client.	
		R420.3	A firm or audit team member shall not accept gifts or hospitality from an audit client, unless the value is trivial and inconsequential.	
290.228	When litigation takes place, or appears likely, between the firm or a member of the audit team and the audit client, self-interest and intimidation threats are created.	430.1	When litigation occurs, or appears likely, between an audit client and the firm, a network firm or an audit team member, self-interest and intimidation threats are created. Section 430 sets out requirements and application material on applying the conceptual framework to such actual or threatened litigation.	Network firm explicitly stated for clarity.
	The relationship between client management and the members of the audit team must be characterized by complete candor and full disclosure regarding all aspects of a client's business operations. When the firm and the client's management are placed in adversarial positions by actual or threatened litigation, affecting management's willingness to make complete disclosures, self-interest and	430.2 A1	The relationship between client management and the audit team members must be characterized by complete candor and full disclosure 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. The significance of the threats created by	Underlined text covered by CF language.

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Extant Code	Exposure Draft	Comments
<p>intimidation threats are created. The significance of the threats created will depend on such factors as:</p> <ul style="list-style-type: none"> • The materiality of the litigation; and • Whether the litigation relates to a prior audit 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></p> <p><u>Examples of such safeguards include:</u></p> <ul style="list-style-type: none"> • If the litigation involves a member of the audit team, removing that individual from the audit team; or • Having a professional review the work performed. <p>If such safeguards do not reduce the threats to an acceptable level, the only appropriate action is to withdraw from, or decline, the audit engagement.</p>	<p>actual or threatened litigation might depend on such factors as:</p> <ul style="list-style-type: none"> • The materiality of the litigation. • Whether the litigation relates to a prior audit engagement. <hr/> <p>430.2 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • If the litigation involves an audit team member, removing that individual from the audit team. • Having a professional review the work performed. 	
<p>Paragraphs 290.229 to 290.499 are intentionally left blank in the extant Code.</p>		
<p>Sections 290.500 to 290.514 (Reports that Include a Restriction on Use and Distribution) are not included in the extract from the extant Code as they will be included with a second exposure draft.</p>		
<p>New paragraphs that are not included in the extant Code</p>		
	<p>100.2 The fundamental principles of professional ethics set out in the Code establish the standard of behavior expected of a professional accountant. The conceptual framework establishes an approach which</p>	<p>New introductory material as a result of the restructure.</p>

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		accountants are required to apply to assist them in achieving compliance with those fundamental principles.	
		<p>R300.3 When communicating with those charged with governance in accordance with the Code, the professional accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary.</p>	Not a new requirement. Derived from extant Code 100.25
		<p>300.3 A1 In determining with whom to communicate, the professional accountant might consider:</p> <ul style="list-style-type: none"> (a) The nature and importance of the circumstances; and (b) The matter to be communicated. 	Derived from 100.25.
		<p>300.3 A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.</p>	Derived from 100.25.
		<p>310.1 Section 310 sets out requirements and application material when applying the conceptual framework to conflicts of</p>	New introductory material.

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Extant Code		Exposure Draft	Comments
		interest.	
		310.7 A2 More information on client acceptance is set out in Section 320, <i>Professional Appointment</i> .	New linking paragraph.
		R310.11 A professional accountant shall exercise professional judgment to determine whether the nature and significance of a conflict of interest is such that specific disclosure and explicit consent is necessary.	Additional paragraph included to reflect the need to apply the conceptual framework.
		320.1 Section 320 sets out requirements and application material on applying the conceptual framework to changes in professional appointments, including new appointments and new or recurring engagements for existing clients.	New introductory material.
		321.1 Section 321 sets out requirements and application material on applying the conceptual framework to providing a second opinion.	New introductory material
		R321.4 A professional accountant shall apply the conceptual framework set out in Section 120 when providing a second opinion.	Covered by CF language.
		330.1 Section 330 sets out requirements and application material on applying the conceptual framework to fees and other types of remuneration.	New introductory material
		330.2 The level and nature of fee and other remuneration arrangements might create	New introductory language included

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Extant Code		Exposure Draft	Comments
		threats to compliance with the fundamental principles.	as part of restructure.
		R330.3 A professional accountant shall apply the conceptual framework set out in Section 120 to fees and other types of remuneration.	Covered by CF language.
		340.1 Section 340 sets out requirements and application material on applying the conceptual framework to offers of gifts and hospitality.	New introductory material.
		350.1 Section 350 sets out requirements and application material on applying the conceptual framework to assuming custody of client money or other assets.	New introductory material
		R350.3 A professional accountant shall apply the conceptual framework set out in Section 120 when assuming custody of client money or other assets.	Covered by CF language.
		410.1 The level and nature of fees or other types of remuneration might create threats to independence. For example, such threats might be created by: <ul style="list-style-type: none"> • The amount of fees from an audit client relative to the total fees of the firm or an individual partner or office of the firm. • Fees from an audit client that remain unpaid for a long time. • Charging contingent fees to an audit 	New introductory material.

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		<p>client.</p> <p>Section 410 sets out requirements and application material on applying the conceptual framework to fees or other remuneration.</p>	
		<p>R410.2 A firm shall apply the conceptual framework set out in Section 120 to fees or other remuneration.</p>	Requirement to apply the conceptual framework
		<p>411.1 Evaluating or compensating an audit team member for selling non-assurance services to that audit client might create a self-interest threat. Section 411 sets out requirements and application material on applying the conceptual framework to compensation and evaluation policies.</p>	New introductory material.
		<p>R411.2 A firm shall apply the conceptual framework set out in Section 120 to compensation and evaluation policies.</p>	Requirement to apply the Conceptual Framework.
		<p>R430.2 A firm shall apply the conceptual framework set out in Section 120 if there is actual or threatened litigation between the audit client and:</p> <ul style="list-style-type: none"> (a) The firm; (b) A network firm; or (c) An audit team member. 	Requirement to apply the conceptual framework.
		<p>R510.4 A firm shall apply the conceptual framework set out in Section 120 to financial interests.</p>	Requirement to apply the conceptual framework
		<p>511.1 A loan or a guarantee of a loan between an audit client and a firm, a network firm,</p>	New introductory material.

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		an audit team member, or that individual's immediate family member might create self-interest or other threats. Section 511 sets out requirements and application material on applying the conceptual framework to loans and guarantees.	
		R511.3 A firm shall apply the conceptual framework set out in Section 120 to loans and guarantees.	Requirement to apply the conceptual framework.
		R520.3 A firm shall apply the conceptual framework set out in Section 120 to business relationships.	Requirement to apply the conceptual framework.
		R521.2 A firm shall apply the conceptual framework set out in Section 120 to family and personal relationships.	Requirement to apply the conceptual framework.
		R522.2 A firm shall apply the conceptual framework set out in Section 120 when an audit team member has served recently with an audit client	Requirement to apply the conceptual framework.
		R524.2 A firm shall apply the conceptual framework set out in Section 120 to employment with an audit client.	Requirement to apply the conceptual framework.
		R525.2 A firm shall apply the conceptual framework set out in Section 120 to temporary personnel assignments.	Requirement to apply the conceptual framework.

MAPPING TABLE OF COMPARISON OF EXTANT CODE TO THE EXPOSURE DRAFT (GLOSSARY)

Item	Extant Code	Draft Restructured Code	Comments
	Definitions	Glossary	
		<p>Footnotes to Glossary</p> <p>¹ In this Glossary; defined terms are shown in regular font; italics are used for terms which have a specific meaning in certain Parts of the Code or for additional explanations of defined terms; references are also provided to terms described in the Code.</p> <p>² This definition has been highlighted in gray as it is included in the Safeguards E D.</p>	
	In this <i>Code of Ethics for Professional Accountants</i> , the following expressions have the following meanings assigned to them.	In this <i>Code of Ethics for Professional Accountants</i> , the singular shall be construed as including the plural as well as the reverse, and the following expressions have the following meanings assigned to them.	Additional sentence regarding use of singular and plural.
Acceptable level ²	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.	A level at which a reasonable and informed third party would likely conclude that the professional accountant complies with the fundamental principles. <i>This term is described in paragraph 120.6 A1</i>	
Advertising	The communication to the public of information as to the services or skills provided by professional accountants in public practice with a view to procuring professional business.	The communication to the public of information as to the services or skills provided by professional accountants in public practice with a view to procuring professional business	
Assurance client	The responsible party that is the person (or persons) who:	The responsible party that is the person (or persons) who:	

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	<p>(a) In a direct reporting engagement, is responsible for the subject matter; or</p> <p>(b) In an assertion-based engagement, is responsible for the subject matter information and may be responsible for the subject matter.</p>	<p>(a) In a direct reporting engagement, is responsible for the subject matter; or</p> <p>(b) In an assertion-based engagement, is responsible for the subject matter information and may be responsible for the subject matter.</p>	
Assurance engagement	<p>An engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.</p> <p>(For guidance on assurance engagements see the International Framework for Assurance Engagements issued by the International Auditing and Assurance Standards Board which describes the elements and objectives of an assurance engagement and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply.)</p>	<p>An engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.</p> <p>(For guidance on assurance engagements, see the <i>International Framework for Assurance Engagements</i> issued by the International Auditing and Assurance Standards Board. The <i>International Framework for Assurance Engagements</i> describes the elements and objectives of an assurance engagement and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply.)</p>	
Assurance team	<p>(a) All members of the engagement team for the assurance engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the assurance engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other</p>	<p>(a) All members of the engagement team for the assurance engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the assurance engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other</p>	

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	<p>oversight of the assurance engagement partner in connection with the performance of the assurance engagement;</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and</p> <p>(iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.</p>	<p>oversight of the assurance engagement partner in connection with the performance of the assurance engagement;</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and</p> <p>(iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.</p>	
Audit		<i>In C1, the term “audit” includes “review engagement.”</i>	No equivalent in the extant Code definitions section. New material. From 290.3.
Audit client	An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control.	An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. <i>(See also R400.11).</i>	
		<i>In C1, “audit client” includes “review client.”</i>	No equivalent in extant Code definitions

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			section. New material. From 290.3.
Audit engagement	A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects,), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.	A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects, (or give a true and fair view or are presented fairly, in all material respects,) in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.	
		<i>In C1, “audit engagement” includes “review engagement.”</i>	No equivalent in extant Code definitions section. New material. From 290.3.
Audit report		<i>In C1, “audit report” includes “review report.”</i>	No equivalent in the extant Code definitions section. New material. From 290.3.
Audit team	(a) All members of the engagement team for the audit engagement;	(a) All members of the engagement team for the audit engagement;	

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	<p>(b) All others within a firm who can directly influence the outcome of the audit engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and <p>(c) All those within a network firm who can directly influence the outcome of the audit engagement.</p>	<p>(b) All others within a firm who can directly influence the outcome of the audit engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and <p>(c) All those within a network firm who can directly influence the outcome of the audit engagement. <i>In C1, “audit team” includes “review team.”</i></p>	
Close family	A parent, child or sibling who is not an immediate family member.	A parent, child or sibling who is not an immediate family member.	
Conceptual Framework		<i>This term is described in Section 120.</i>	

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Contingent fee	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.	
Direct financial interest	A financial interest: (a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or (a) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.	A financial interest: (a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or (a) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.	
Director or officer	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which may vary from jurisdiction to jurisdiction.	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which may vary from jurisdiction to jurisdiction.	
Engagement partner	The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.	The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.	
Engagement		The engagement period starts when the audit team	New defined

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Period		begins to perform audit services. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has terminated or the issuance of the final audit report.	term from 290.30. A further definition will be prepared when Independence for Assurance Engagements is restructured.
Engagement quality control review	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.	
Engagement team	<p>All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.</p> <p>The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), <i>Using the Work of Internal Auditors</i>.</p> <p>A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar</p>	<p>All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.</p> <p>The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), <i>Using the Work of Internal Auditors</i>.</p> <p>A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar</p>	

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	<p>professional services for a client.</p> <p>An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.</p>	<p>professional services for a client.</p> <p>An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.</p>	
Existing accountant	<p>A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar professional services for a client.</p>	<p>A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar professional services for a client.</p>	
External expert	<p>An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.</p>	<p>An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.</p>	
Financial interest	<p>An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.</p>	<p>An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.</p>	
Financial statements	<p>A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial</p>	<p>A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting</p>	

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	reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.	framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.	
Financial statements on which the firm will express an opinion	In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.	In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.	
Firm	<ul style="list-style-type: none"> (a) A sole practitioner, partnership or corporation of professional accountants; (b) An entity that controls such parties, through ownership, management or other means; and (c) An entity controlled by such parties, through ownership, management or other means. 	<ul style="list-style-type: none"> (a) A sole practitioner, partnership or corporation of professional accountants; (b) An entity that controls such parties, through ownership, management or other means; and (c) An entity controlled by such parties, through ownership, management or other means. 	
Fundamental Principles		<p><i>These terms are described in paragraphs:</i></p> <p><i>Integrity – R 111.1</i></p> <p><i>Objectivity – R112.1</i></p> <p><i>Professional competence and due care – R113.1</i></p> <p><i>Confidentiality – R114.1</i></p> <p><i>Professional behavior – R 115.2</i></p>	This is new cross-referencing text.
Historical financial information	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.	

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Immediate family	A spouse (or equivalent) or dependent.	A spouse (or equivalent) or dependent	
Independence	<p>Independence is:</p> <p>(c) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(d) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm’s, or a member of the audit or assurance team’s, integrity, objectivity or professional skepticism has been compromised.</p>	<p>Independence comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm’s, or a member of the audit or assurance team’s, integrity, objectivity or professional skepticism has been compromised.</p> <p><i>The relationship of independence to objectivity is described in paragraphs 112.3 A1 and 400.1.</i></p>	
Indirect financial interest	A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.	A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.	
Key audit partner	The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial	The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial	

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	statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” may include, for example, audit partners responsible for significant subsidiaries or divisions.	statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” may include, for example, audit partners responsible for significant subsidiaries or divisions.	
Listed entity	An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.	An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.	
Network	A larger structure: (a) That is aimed at co-operation; and (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.	A larger structure: (a) That is aimed at co-operation; and (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.	
Network firm	A firm or entity that belongs to a network.	A firm or entity that belongs to a network. <i>For further information see Subsection 401.</i>	
Office	A distinct sub-group, whether organized on geographical or practice lines.	A distinct sub-group, whether organized on geographical or practice lines.	
Professional accountant	An individual who is a member of an IFAC member body.	An individual who is a member of an IFAC member body.	
		<i>In Part A, the term “professional accountant” refers to professional accountants in business and to professional accountants in public practice and their firms. In Part B, the term “professional accountant” refers to professional accountants in business.</i>	No equivalent in the current definitions section.

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		<i>In Part C, the term “professional accountant” refers to professional accountants in public practice and their firms.</i>	
Professional accountant in business	A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.	A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not-for-profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.	
Professional accountant in public practice	A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.	A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. <i>This term is also used to refer to a firm of professional accountants in public practice.</i>	
Professional activity	An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, taxation, management consulting, and financial management.	An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, taxation, management consulting, and financial management	
Professional services	Professional activities performed for clients.	Professional activities performed for clients.	
Public interest entity	(a) A listed entity; and (b) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation	(a) A listed entity; and (b) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such	

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	<p>may be promulgated by any relevant regulator, including an audit regulator.</p>	<p>regulation may be promulgated by any relevant regulator, including an audit regulator.</p> <p><i>Other entities might also be considered to be public interest entities, as set out in paragraph 400.6</i></p>	
<p>Reasonable and Informed Third Party</p>		<p>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 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> <p>This term is described in paragraph 120.4 A1</p>	
<p>Related entity</p>	<p>An entity that has any of the following relationships with the client:</p> <ul style="list-style-type: none"> (a) An entity that has direct or indirect control over the client if the client is material to such entity; (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; (c) An entity over which the client has direct or indirect control; (d) An entity in which the client, or an entity 	<p>An entity that has any of the following relationships with the client:</p> <ul style="list-style-type: none"> (a) An entity that has direct or indirect control over the client if the client is material to such entity; (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; (c) An entity over which the client has direct or indirect control; (d) An entity in which the client, or an entity related to the client under (c) above, has a 	

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	<p>related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</p> <p>(e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity.</p>	<p>direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</p> <p>(e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity.</p>	
Review client	An entity in respect of which a firm conducts a review engagement.	An entity in respect of which a firm conducts a review engagement.	
Review engagement	An assurance engagement, conducted in accordance with International Standards on Review Engagements or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.	An assurance engagement, conducted in accordance with International Standards on Review Engagements or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.	
Review team	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within a firm who can directly influence the outcome of the review engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other</p>	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within a firm who can directly influence the outcome of the review engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the</p>	

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	<p>oversight of the engagement partner in connection with the performance of the review engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the review engagement.</p>	<p>engagement partner in connection with the performance of the review engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the review engagement.</p>	
Safeguards		<i>This term is described in paragraph 120.7 A2.</i>	
Special purpose financial statements	Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.	Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users	
Those charged with governance	The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those	The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those	

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	charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.	charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.	
Threats		<p><i>These terms are described in paragraphs:</i></p> <p><i>Self Interest</i> 120.5 A2(a) & 300.2 A1(a)</p> <p><i>Self-review</i> 120.5 A2(b) & 300.2 A1(b)</p> <p><i>Advocacy</i> 120.5 A2(c) & 300.2 A1(c)</p> <p><i>Familiarity</i> 120.5 A2(d) & 300.2 A1(d)</p> <p><i>Intimidation</i> 120.5 A2(e) & 300.2 A1(e)</p>	This is new cross-referencing text.