

Mapping Table—Extant Code to Draft Restructured Code

Part C1 (Sections 400 to 521)

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SECTION 290 INDEPENDENCE—AUDIT AND REVIEW ENGAGEMENTS			
Structure of Section			
290.1	This section addresses the independence requirements for audit engagements and review engagements, which are assurance engagements in which a professional accountant in public practice expresses a conclusion on financial statements. Such engagements comprise audit and review engagements to report on a complete set of financial statements and a single financial statement. Independence requirements for assurance engagements that are not audit or review engagements are addressed in Section 291.	400.2 Part C1 contains requirements and guidance for professional accountants in public practice on maintaining independence when performing audit and review engagements. These engagements are assurance engagements in which a professional accountant expresses a conclusion on financial statements. Such engagements involve reporting on a complete set of financial statements or on a single financial statement.	
		400.4 Independence requirements for assurance engagements that are not audit or review engagements are contained in Part C2.	
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	400.5 An audit report may include a restriction on use and distribution. If it does, the independence requirements in this part may be modified as provided in paragraphs XXX. X to XXX.XX, 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	Reference numbers are not yet available for this cross reference. The cross reference is to extant Code paragraphs concerning <i>Reports that Include a Restriction on Use and Distribution</i> ¹ .

¹ Paragraph numbers 290.500 to 290.514

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	regulation.	regulation.	
290.3	<p>In this section, the term(s):</p> <p>(a) “Audit,” “audit team,” “audit engagement,” “audit client” and “audit report” includes review, review team, review engagement, review client and review report; and</p> <p>(b) “Firm” includes network firm, except where otherwise stated.</p>	<p>400.6 In Part C1:</p> <p>(a) “Audit,” “audit team,” “audit engagement,” “audit client” and “audit report” include review, review team, review engagement, review client and review report, respectively;</p> <p>(b) “Audit client” includes related entities of the client (unless otherwise stated), as contained in paragraph R400.10; and</p> <p>(c) “Professional accountant” refers to:</p> <p>(i) A professional accountant in public practice; and</p> <p>(ii) A firm of professional accountants in public practice.</p>	
A Conceptual Framework Approach to Independence			
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, therefore, required by this Code that members of audit teams, firms and network firms be independent of audit and review clients.	
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 Part C1 describes circumstances and relationships that create or may create threats to independence. It describes the potential threats and safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level. It identifies situations where no safeguards could	Objective expanded to explain the conceptual framework approach for clarity.

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		reduce the threats to an acceptable level but does not describe all situations that may create a threat. The conceptual framework requires a professional accountant to evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 300.3 G11 to G15, can be applied to eliminate the threats to independence or reduce them to an acceptable level	
290.6	<p>Independence comprises:</p> <p>(a) Independence of Mind</p> <p>The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.</p> <p>(b) Independence in Appearance</p> <p>The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the audit team's, integrity, objectivity or professional skepticism has been compromised.</p>		Included in the definitions section of the Code.
290.7	<p>The conceptual framework approach shall be applied by professional accountants to:</p> <p>(a) Identify threats to independence;</p>	R400.8 In relation to an audit engagement, a professional accountant shall apply the conceptual framework contained in Section 110.	

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	<p>(b) Evaluate the significance of the threats identified; and</p> <p>(c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level.</p> <p>When the professional accountant determines that appropriate safeguards are not available or cannot be applied to eliminate the threats or reduce them to an acceptable level, the professional accountant shall eliminate the circumstance or relationship creating the threats or decline or terminate the audit engagement.</p> <p>A professional accountant shall use professional judgment in applying this conceptual framework.</p>		
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 Part C1 describes circumstances and relationships that create or may create threats to independence. It describes the potential threats and safeguards that may be appropriate to eliminate the threats or reduce 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 may create a threat. The conceptual framework requires a professional accountant to evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 300.3 G11 to G15, can be applied when necessary 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</p>	<p>400.3 Part C1 describes circumstances and</p>	

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	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.	relationships that create or may create threats to independence. It describes the potential threats and safeguards that may be appropriate to eliminate the threats or reduce 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 may create a threat. The conceptual framework requires a professional accountant to evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 300.3 G11 to G15, can be applied when necessary 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.	<p>R400.9²In applying the conceptual framework, a professional accountant shall:</p> <p>(a) When evaluating the significance of threats to independence, take qualitative as well as quantitative factors into account;</p> <p>(b) 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;</p> <p>(c) If the decision is whether to continue an audit</p>	

² This paragraph is within the scope of the Safeguards project.

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	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.	engagement, determine whether: (i) Any existing safeguards will continue to be effective to eliminate the threats or reduce them to an acceptable level; (ii) Other safeguards will need to be applied; or (iii) The engagement needs to be terminated; and	
290.11	Throughout this section, reference is made to the significance of threats to independence. In evaluating the significance of a threat, qualitative as well as quantitative factors shall be taken into account.	(d) Whenever new information about a threat to independence comes to the attention of the professional accountant during an audit engagement, evaluate the significance of that threat in accordance with the conceptual framework approach.	
290.12	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.		Paragraph 290.12 is subject to review in liaison with the IAASB. Accordingly, no proposed restructured text has been included here.

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Networks and Network Firms			
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). 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.	R400.16 A network firm shall be independent of the audit clients of the other firms within the network unless otherwise stated in this Code.	
		400.17 G1 The independence requirements in Part C1 that apply to a network firm apply to any entity that meets the definition of a network firm. The entity need not also 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.	400.17 G2 Whether the larger structures that are established by firms create a network depends on the circumstances. This 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, where a larger structure is aimed at co-operation and the firms share a common brand name, a common system of quality control or significant professional resources the larger structure is a network.	
290.15	The judgment as to whether the larger structure is a network shall be made in light of whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that the	R400.17 When associated with a larger structure of other firms and entities, a firm shall: (a) Use professional judgment to determine whether	

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	entities are associated in such a way that a network exists. This judgment shall be applied consistently throughout the network.	<p>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.	400.17 G3 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 to jointly 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.	400.17 G4 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.	
290.18	Where the larger structure is aimed at co-operation and the entities within the structure share common quality	400.17 G5 Where the larger structure is aimed at co-operation and the entities within the structure	

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	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.	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.	400.17 G6 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.	400.17 G7 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.	
290.21	Even though a firm does not belong to a network and does not use a common brand name as part of its firm name, it may give the appearance that it belongs to a network if it makes reference in its stationery or promotional materials to being a member of an association of firms. Accordingly, if care is not taken in	400.17 G8 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 may 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	

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	how a firm describes such memberships, a perception may be created that the firm belongs to a network.	describes such membership a perception may be created that the firm belongs to a network.	
290.22	If a firm sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the component may continue to use the name of the firm, or an element of the name, even though it is no longer connected to the firm. In such circumstances, while the two entities may be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at co-operation and are, therefore, not network firms. Those entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.	R400.18 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 may 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 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.	
290.23	Where the larger structure is aimed at co-operation and the entities within the structure share a significant part of professional resources, it is deemed to be a network. Professional resources include: <ul style="list-style-type: none"> • Common systems that enable firms to exchange information such as client data, billing and time records; • Partners and staff; • Technical departments that consult on technical or industry specific issues, transactions or events for 	400.17 G9 Where the larger structure is aimed at co-operation and the entities within the structure share a significant part of professional resources it is a network. Professional resources include: <ul style="list-style-type: none"> • Common systems that enable firms to exchange information such as client data, billing and time records. • Partners and staff. • Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements. 	

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	<p>assurance engagements;</p> <ul style="list-style-type: none"> • Audit methodology or audit manuals; and • Training courses and facilities. 	<ul style="list-style-type: none"> • 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>400.17 G10 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 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. 	
Public Interest Entities			
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>PIE definition is in the definitions section of the Code.</p>

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	(a) All listed entities; and (b) Any entity: <ul style="list-style-type: none"> (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator. 		
290.26	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: <ul style="list-style-type: none"> • The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds; • Size; and • Number of employees. 	400.7 Part C1 contains additional provisions that apply to public interest entities. Firms are encouraged to determine whether to treat entities, or certain categories of entities, that have a large number and wide range of stakeholders, as public interest entities. Factors to be considered include: <ul style="list-style-type: none"> • The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds; • Size; and • Number of employees. 	
Related Entities			
290.27	In the case of an audit client that is a listed entity,	R400.10 As defined, an audit client that is a	

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	<p>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>listed entity includes all of its related entities. An audit client that is not a listed entity is defined to include those 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>	
Those Charged with Governance			
290.28	<p>Even when not required by the Code, applicable auditing standards, law or regulation, regular communication is encouraged between the firm and those charged with governance of the audit client regarding relationships and other matters that might, in the firm's opinion, reasonably bear on independence. Such communication enables those charged with governance to:</p> <ul style="list-style-type: none"> (a) Consider the firm's judgments in identifying and evaluating threats to independence; (b) Consider the appropriateness of safeguards applied to eliminate them or reduce them to an acceptable level; and (c) Take appropriate action. <p>Such an approach can be particularly helpful with respect to intimidation and familiarity threats.</p>		<p>This text is contained in the introductory paragraphs in Part C in paragraphs R300.4 to 300.4 G2.</p> <p>The Task Force proposes to treat this paragraph as guidance and to avoid the use of "is encouraged"</p>

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	<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>		
Documentation			
290.29	<p>Documentation provides evidence of the professional accountant's judgments in forming conclusions regarding compliance with independence requirements. The absence of documentation is not a determinant of whether a firm considered a particular matter nor whether it is independent.</p> <p>The professional accountant shall document conclusions regarding compliance with independence requirements, and the substance of any relevant discussions that support those conclusions. Accordingly:</p> <p>(a) When safeguards are required to reduce a threat to an acceptable level, the professional accountant shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable</p>	<p>R400.11 A 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</p>	

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	level; and (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.	shall document the nature of the threat and the rationale for the conclusion. 400.11 G1 Paragraph R400.11 sets out specified documentation requirements. However, a lack of documentation does not determine whether a professional accountant considered a particular matter or is independent.	
Engagement Period			
290.30	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. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has terminated or the issuance of the final audit report.	400.6 In Part C1: ... (d) "Engagement period": (i) Starts when the audit team begins to perform audit services; and (i) Ends when the audit report is issued. If the engagement is recurring, the engagement period ends at the later of; (iii) The notification by either party that the professional relationship has terminated; or (iv) The final audit report being issued.	"Engagement period" has not been added to the definitions section because it may have a different meaning in other parts of code e.g., S291.
		R400.12 A professional accountant performing an audit engagement shall be independent of the audit client during both: (a) The engagement period; and (b) The period covered by the financial statements.	

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<p>290.31 When an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by:</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>	
<p>290.32 If a non-assurance service was provided to the audit client during or after the period covered by the financial statements but before the audit team begins to perform audit services and the service would not be permitted during the period of the audit engagement, the firm shall evaluate any threat to independence created by the service. If a threat is not at an acceptable level, the audit engagement shall only be accepted if safeguards are applied to eliminate any threats or reduce them to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Not including personnel who provided the non- 	<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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	assurance service as members of the audit team; <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. 	400.14 G1 Examples of safeguards include: <ul style="list-style-type: none"> • Not including people 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; 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.	
Mergers and Acquisitions			
290.33	When, as a result of a merger or acquisition, an entity becomes a related entity of an audit client, the firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account available safeguards, could affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition.	R400.19 An entity may become a related entity of an audit client because of a merger or acquisition. In that case, 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.	
290.34	The firm shall take steps necessary to terminate, by the effective date of the merger or acquisition, any current interests or relationships that are not permitted under this Code. However, if such a current interest or relationship cannot reasonably be terminated by the effective date of	R400.20 In the circumstances described in paragraph R400.19, the firm shall take steps to end any interests or relationships that are not permitted by this Code by the effective date of the merger or acquisition.	

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<p>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. 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 threat.</p>	<p>400.20 G1 It may not be reasonably possible to end an interest or relationship by the effective date of the merger or acquisition. This may 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>R400.21 As an exception to R400.20, if the interest or relationship cannot reasonably be ended by the effective date, the firm shall:</p> <p>(a) Evaluate the threat that is created by the interest or relationship; and</p> <p>(b) Discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be ended by the effective date and the evaluation of the significance of the threat.</p>	
	<p>400.21 G1 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 may 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 	

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		relationship can reasonably be terminated.	
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> <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 	<p>R400.22 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 Part 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>	
		<p>400.22 G1 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 	

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	re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service.	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 the other firm to take responsibility for the service.	
290.36	<p>The firm may have completed a significant amount of work on the audit prior to the effective date of the merger or acquisition and may be able to complete the remaining audit procedures within a short period of time. In such circumstances, if those charged with governance request the firm to complete the audit while continuing with an interest or relationship identified in paragraph 290.33, the firm shall do so only if it:</p> <p>(a) Has evaluated the significance of the threat created by such interest or relationship and discussed the evaluation with those charged with governance;</p> <p>(b) Complies with the requirements of paragraph 290.35(b)–(c); and</p> <p>(c) Ceases to be the auditor no later than the issuance of the audit report.</p>	<p>R400.23 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 R400.19, the firm shall only do so if it:</p> <p>(a) Has evaluated the significance of the threat created by such interest or relationship and discussed the evaluation with those charged with governance;</p> <p>(b) Complies with the requirements of paragraph R400.21 (a) to (c); and</p> <p>(c) Ceases to be the auditor no later than the date that the audit report is issued.</p>	
290.37	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	<p>R400.24 When addressing previous and current interests and relationships described in paragraph R400.19 the firm shall determine whether, even if all the requirements of paragraphs R400.20</p>	

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	threats that would remain so significant that objectivity would be compromised and, if so, the firm shall cease to be the auditor.	to R400.23 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.	
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.	<p>R400.25 The professional accountant shall document:</p> <p>(a) Any interests or relationships described in paragraph R400.19 that will not be ended by the effective date of the merger or acquisition and the reasons why they will not be ended;</p> <p>(b) The transitional measures applied;</p> <p>(c) The results of the discussion with those charged with governance, and</p> <p>(d) The reasons why the previous and current interests and relationships do not create threats that would remain so significant that objectivity would be compromised.</p>	
Breach of a Provision of this Section			
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.	401.1 G1 A breach of Part C1 may occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. It may be that the audit engagement needs to be ended because of the breach.	
290.40	When the firm concludes that a breach has occurred, the	R401.1 Notwithstanding any other provisions of Part	

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	firm shall terminate, suspend or eliminate the interest or relationship that caused the breach and address the consequences of the breach.	<p>C1, if a firm concludes that a breach of any of those provisions has occurred, the firm shall:</p> <p>(a) End, suspend or eliminate the interest or relationship that caused the breach and address the consequences of the breach;</p> <p>....</p>	
290.41	When a breach is identified, the firm shall consider whether there are any legal or regulatory requirements that apply with respect to the breach and, if so, shall comply with those requirements. The firm shall consider reporting the breach to a member body, relevant regulator or oversight authority if such reporting is common practice or is expected in the particular jurisdiction.	<p>R401.1 Notwithstanding any other provisions of Part C1, if a firm concludes that a breach of any of those provisions has occurred, the firm shall: ...</p> <p>(b) Consider whether any legal or regulatory requirements apply to the breach and, if so;</p> <p>(i) Comply with those requirements; and</p> <p>(ii) Consider reporting the breach to a professional body, regulator or oversight authority if such reporting is common practice or expected in the relevant jurisdiction;....</p>	

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<p>290.42 When a breach is identified, the firm shall, in accordance with its policies and procedures, promptly communicate the breach to the engagement partner, those with responsibility for the policies and procedures relating to independence, other relevant personnel in the firm, and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action. 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 	<p>R401.1 Notwithstanding any other provisions of Part C1, if a firm concludes that a breach of any of those provisions has occurred, the firm shall:</p> <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;</p>	

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<p>whom there are independence requirements;</p> <ul style="list-style-type: none"> • 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 breach. 	<p>401.1 G2 When a breach of Part 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 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 <p>The extent of the self-interest, advocacy, intimidation or other threats created by the breach.</p>	
<p>290.43 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</p>	<p>R401.1 Notwithstanding any other provisions of Part C1, if a firm concludes that a breach of any of those provisions has occurred, the firm shall: ...</p>	<p>.</p>

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<p>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>(e) Depending on the significance of the breach, determine whether:</p> <ul style="list-style-type: none"> (i) To terminate the audit engagement; or (ii) Whether it may 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 and therefore the firm is unable to issue an audit report.</p>	
<p>290.44</p> <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 	<p>401.1 G3 Depending upon the significance of the breach, examples of actions that the firm may take to satisfactorily address the breach include:</p> <ul style="list-style-type: none"> • Removing the relevant person from the audit team; • Using different people 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; and • If the breach relates to a non-assurance service that affects the accounting records or an amount 	

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	the non-assurance service to the extent necessary to enable it to take responsibility for the service.	<p>recorded in the financial statements:</p> <ul style="list-style-type: none"> ○ Engaging another firm to evaluate the results of the non-assurance service; or ○ Having another firm re- perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service. 	
290.45	If the firm determines that action cannot be taken to satisfactorily address the consequences of the breach, the firm shall inform those charged with governance as soon as possible and take the steps necessary to terminate the audit engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the audit engagement. Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.	R401.2 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 terminate the audit engagement in compliance with any applicable legal or regulatory requirements. Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.	

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<p>290.46 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 professional judgment, objectivity has not been compromised and the rationale for that conclusion; and • Any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring. 	<p>R401.3 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, as soon as possible or in accordance with an alternative timing specified by those charged with governance for reporting less significant breaches:</p> <p>(a) The significance of the breach, including its nature and duration;</p> <p>(b) How the breach occurred and how it was identified;</p> <p>(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;</p> <p>(d) The conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion; and</p> <p>(e) Any steps proposed or taken by the firm to reduce or avoid the risk of further breaches occurring.</p>	
<p>290.47 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</p>	<p>R401.4 The firm shall communicate in writing to those charged with governance all matters discussed in accordance with paragraphs 401.1 to 401.3 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the</p>	

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	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. Where termination is not permitted by law or regulation, the firm shall comply with any reporting or disclosure requirements.	breach.	
		R401.5 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.	
		R401.6 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 in accordance with the provisions set out in paragraph R401.2.	
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.	R401.7 If the breach occurred before the previous audit report was issued, the firm shall comply with the provisions of Part C1 that are relevant to the breach 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..	
		R401.8 The firm shall consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued audit reports, whether the firm should withdraw those audit reports, and discuss these matters with those charged with governance.	

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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.	<p>R401.9 The firm shall document:</p> <p>(a) The breach;</p> <p>(b) The action taken;</p> <p>(c) Key decisions made;</p> <p>(d) All the matters discussed with those charged with governance; and</p> <p>(e) Any discussions with a professional body, regulator or oversight authority.</p> <p>R401.10 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.</p>	
Paragraphs 290.50 to 290.99 are intentionally left blank.			
Application of the Conceptual Framework Approach to Independence			
290.100	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	400.3 Part C1 describes circumstances and relationships that create or may create threats to independence. It describes the potential threats and safeguards that may be appropriate to eliminate the threats or reduce 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 may create a threat.	

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	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.	The conceptual framework requires a professional accountant to evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 300.3 G11 to G15, can be applied when necessary to eliminate the threats to independence or reduce them to an acceptable level	
290.101	Paragraphs 290.102 to 290.125 contain references to the materiality of a financial interest, loan, or guarantee, or the significance of a business relationship. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	510.2 In Sections 511 and 512 "materiality" is used to refer to a financial interest, loan, or guarantee, or the significance of a business relationship. For the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.	
Financial Interests			
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. 	<p>511.1 Holding a financial interest in an audit client may create a self-interest threat. The existence and significance of any threat depends on:</p> <ul style="list-style-type: none"> (a) The person holding the financial interest; (b) The materiality of the financial interest; and (c) Whether the financial interest is direct or indirect. <p>Subsection 511 contains requirements and guidance on applying the conceptual framework to financial interests.</p>	

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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.	511.2 Financial interests may be held directly. Financial interests may also be held 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, this 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, this 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.	R511.4 A direct financial interest or a material indirect financial interest in the audit client shall not be held by: (a) The firm or a network firm; (b) A member of the audit team, or any of that person's immediate family; ...	Network firm now 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 indirect financial interest in the audit client, a self-interest threat is created. The significance of the threat will depend on factors such as:	R511.11 A firm shall apply the conceptual framework contained in Section 110 and paragraph R400.9 in the following circumstances related to financial interests: (a) If a member of the audit team knows that a close	

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<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>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.</p> <p>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>family member has a direct or material indirect financial interest in the audit client; (Ref: Para. 511.11 G1).</p> <p>511.11 G1 A self-interest threat may be created if a member of the audit team 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 member of the audit team and the close family member; and • The materiality of the financial interest to the close family member. <p>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 member of the audit team; or • Removing the individual from the audit team. 	
<p>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</p>	<p>R511.6 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 a</p>	<p>Network firm now explicitly stated for clarity.</p>

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	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.	member of the audit team, nor a member of that individual's immediate family shall hold a direct or material indirect financial interest in that entity.	
290.107	The holding by a firm's retirement benefit plan of a direct or material indirect financial interest in an audit client creates a self-interest threat. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.	<p>R511.11 A firm shall apply the conceptual framework contained in Section 110 and paragraph R400.9 in the following circumstances related to financial interests: ...</p> <p>(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.</p>	
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.	<p>R511.4 A direct financial interest or a material indirect financial interest in the audit client shall not be held by :...</p> <p>(c) Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that other partner's immediate family; ...</p>	
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	511.5 G1 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	The "shall" requirement to use professional judgment is inherent within the conceptual framework as described in paragraph

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	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.	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.	R110.2.
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.	R511.4 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 members.	
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 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	R511.5 As an exception to paragraph R511.4, an immediate family member described in subparagraphs 511.4 (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 the financial interest as soon as practicable (for example, in the case of a stock option, when the family member obtains the right to exercise the option); and	This is noted as a requirement paragraph as it is an exception to R511.4.

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	<p>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>(c) When necessary, the firm applies safeguards to eliminate any threat to independence or reduce it to an acceptable level.</p>	
290.112	<p>A self-interest threat may be created if the firm or a member of the audit team, or a member of that individual's immediate family, has a financial interest in an entity and an audit client also has a financial interest in that entity. However, independence is deemed not 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,</p>	<p>R511.8 A firm, or a network firm, or a member of the audit team, or a member of that individual's immediate family shall not hold a financial interest in an entity when an audit client also has a financial interest in that entity, unless:</p> <p>(a) The financial interests are immaterial to the firm, the network firm, the member of the audit team, that individual's immediate family and the audit client, as the case may be; and</p> <p>(b) The audit client cannot exercise significant influence over the entity.</p>	<p>Network firm now explicitly stated for clarity.</p>

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	<p>before becoming a member of the audit team, either:</p> <p>(a) Dispose of the interest; or</p> <p>(b) Dispose of a sufficient amount of the interest so that the remaining interest is no longer material.</p>	<p>R511.9 An individual shall not be a member of the audit team while holding a material financial interest in an entity in which the audit client also has a material financial interest, if the audit client can exercise significant influence over the entity. Before the individual may become a member of the audit team, the individual shall either:</p> <p>(a) Dispose of the interest; or</p> <p>(b) Dispose of enough of the interest so that the remaining interest is no longer material.</p>	
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 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>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat</p>	<p>R511.11 A firm shall apply the conceptual framework contained in Section 110 and paragraph R400.9 in the following circumstances related to financial interests:</p> <p>(c) If a member of the audit team, or a member of that individual's immediate family, or the firm or a network firm, has a financial interest in an entity and a director or officer or controlling owner of the audit client is also known to have a financial interest in the same entity. (Ref: Para. 511.11 G2)</p>	
		<p>511.11 G2 Self-interest, familiarity, or intimidation threats may be created if a member of the audit team, or an immediate family member of that individual, 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</p>	

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<p>or reduce it to an acceptable level.</p> <p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> (a) Removing the member of the audit team with the financial interest from the audit team; or (b) Having a professional accountant review the work of the member of the audit team. 	<p>known to have a financial interest in that entity. The existence and significance of any threat may depend 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; and • The materiality of the financial interest. <p>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the member of the audit team with the financial interest from the audit team; or • Having a professional accountant review the work of the member of the audit team. 	
<p>290.114 The holding by a firm, or a member of the audit team, or a member of that individual's immediate family, of a direct financial interest or a material indirect financial interest in the audit client as a trustee creates a self-interest threat. Similarly, a self-interest threat is created when:</p> <ul style="list-style-type: none"> (a) A partner in the office in which the engagement partner practices in connection with the audit; (b) Other partners and managerial employees who provide non-assurance services to the audit client, except those whose involvement is minimal; or (c) Their immediate family members, hold a direct financial interest or a material indirect financial 	<p>R511.7 Paragraph R511.4 applies to a financial interest held as trustee as it does to other financial interests, unless:</p> <ul style="list-style-type: none"> (a) None of the following is a beneficiary of the trust: the trustee, an immediate family member of the trustee, the firm or a network firm; (b) The interest in the audit client held by the trust is not material to the trust; (c) The trust is not able to exercise significant influence over the audit client; and (d) None of the following can significantly influence 	

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<p>interest in the audit client as trustee.</p> <p>Such an interest shall not be held unless:</p> <ul style="list-style-type: none"> (a) Neither the trustee, nor an immediate family member of the trustee, nor the firm are beneficiaries of the trust; (b) The interest in the audit client held by the trust is not material to the trust; (c) The trust is not able to exercise significant influence over the audit client; and (d) The trustee, an immediate family member of the trustee, or the firm cannot significantly influence any investment decision involving a financial interest in the audit client. 	<p>any investment decision involving a financial interest in the audit client: the trustee, an immediate family member of the trustee, the firm or a network firm.</p>	
<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 by other individuals including:</p> <ul style="list-style-type: none"> (a) Partners and professional employees of the firm, other than those referred to above, or their immediate family members; and (b) Individuals with a close personal relationship with a member of the audit team. <p>Whether these interests create a self-interest threat will depend on factors such as:</p> <ul style="list-style-type: none"> (a) The firm's organizational, operating and reporting structure; and (b) The nature of the relationship between the individual and the member of the audit team. 	<p>R511.11 A firm shall apply the conceptual framework contained in Section 110 and paragraph R400.9 in the following circumstances related to financial interests:</p> <ul style="list-style-type: none"> (c) If a member of the audit team knows that a financial interest in the audit client is held by other individuals, such as: <ul style="list-style-type: none"> (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 R511.4, or their immediate family members; or (ii) Individuals with a close personal relationship with a member of the audit team. (Ref: Para 511.11 G3) 	

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<p>The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> (a) Removing the member of the audit team with the personal relationship from the audit team; (b) 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>511.11 G3 Whether the interests described in paragraph R511.11 (d) create a self-interest threat may 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>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the member of the audit team with the personal relationship from the audit team; • Excluding the member of the audit team from any significant decision-making concerning the audit engagement; or • Having a professional accountant review the work of the member of the audit team 	
<p>290.116 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> <ul style="list-style-type: none"> (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>R511.10 If a firm, a network firm or a partner or employee of the firm or a network 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 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> <ul style="list-style-type: none"> (a) If the interest is received by the firm or a network firm, or a member of the audit team or a member 	<p>Network firm explicitly stated for clarity.</p>

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<p>(b) If the interest is received by a member of the audit team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer material; or</p> <p>(c) If the interest is received by an individual who is not a member of the audit team, or by an immediate family member of the individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be 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>of the immediate family of that individual, the financial interest shall be disposed of immediately, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or</p> <p>(b) (i) If the interest is received by an individual who is not a member of the audit team, or by an 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>	
Loans and Guarantees		
<p>290.117 A loan, or a guarantee of a loan, to a member of the audit team, or a member of that individual's immediate family, or the firm from an audit client that is a bank or a similar institution may create a threat to independence. If the loan or guarantee is not made under normal lending procedures, terms and conditions, a self-interest threat would be created that would be so significant that no safeguards could reduce the threat to an acceptable level. Accordingly, neither a member of the audit team, a member of that individual's immediate family, nor a firm</p>	<p>R512.3 A firm, a network firm, a member of the audit team, or a member of that individual's immediate family shall not accept a loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.</p>	<p>Network firm explicitly stated for clarity.</p>

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	shall accept such a loan or guarantee.		
290.118	If a loan to a firm from an audit client that is a bank or similar institution is made under normal lending procedures, terms and conditions and it is material to the audit client or firm receiving the loan, it may be possible to apply safeguards to reduce the self-interest threat to an acceptable level. An example of such a safeguard is having the work reviewed by a professional accountant from a network firm that is neither involved with the audit nor received the loan.	512.3 G1 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 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.	
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.	512.3 G2 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, may 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 member, and	R512.4 A firm, a network firm, a member of the audit team, or a member of that individual's immediate family, shall not accept a loan from, or have a borrowing guaranteed by, an audit client that is not a bank or similar institution, unless the loan or guarantee is immaterial to both: (a) The firm or the member of the audit team and the	Network firm explicitly stated for clarity.

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	(b) the client.	immediate family member receiving the loan; 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.	R512.5 A firm, a network firm, a member of the audit team, or a member of that individual's immediate family, shall not make or guarantee a loan to, an audit client unless the loan or guarantee is immaterial to both: (a) The firm or the member of the audit team and the immediate family member making the loan or guarantee; 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.	R512.6 A firm, a network firm, a member of the audit team, or a member of that individual's immediate family, 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.
Business Relationships			
290.123	A close business relationship between a firm, or a member of the audit team, or a member of that individual's immediate family, and the audit client or its management, arises from a commercial relationship or common financial interest and may create self-interest or intimidation threats. Examples of such relationships include: • Having a financial interest in a joint venture with	521.1 A close business relationship between a professional accountant and an audit client may create self-interest or intimidation threats. Subsection 521 contains requirements and guidance on applying the conceptual framework to these business relationships.	Network firm explicitly stated for clarity.
		521.5 G1 Examples of a close business	

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<p>either the client or a controlling owner, director, officer or other individual who performs senior managerial activities for that client.</p> <ul style="list-style-type: none"> • Arrangements to combine one or more services or products of the firm 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 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</p>	<p>relationship arising from a commercial relationship or common financial interest include:</p> <ul style="list-style-type: none"> • Having a financial interest in a joint venture with either the client or a controlling owner, director, 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. <p>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> <p>R521.3 The firm, a network firm or a member of the audit team 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 team member, as the case may be, and the client or its management.</p> <p>R521.4 If an immediate family member of a member of the audit team has a close business relationship with an audit client or its management, the firm shall apply the conceptual framework contained in Section</p>	

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	necessary to eliminate the threat or reduce it to an acceptable level.	110 and paragraph R400.9.	
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> <ul style="list-style-type: none"> (a) The business relationship is insignificant to the firm, the member of the audit team and the immediate family member, and the client; (b) The financial interest is immaterial to the investor or group of investors; and (c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity. 	<p>R521.5 The firm, a network firm, a member of the audit team, or a member of that individual's immediate family shall not have a business relationship involving the holding of an interest in a closely-held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:</p> <ul style="list-style-type: none"> (a) The business relationship is insignificant to the firm, the network firm, the member of the audit team and the immediate family member, and the client; (b) The financial interest is immaterial to the investor or group of investors; and (c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity. 	Network firm explicitly stated for clarity.

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<p>290.125 The purchase of goods and services from an audit client by the firm, or a member of the audit team, or a member of that individual's immediate family, <u>does not generally create a threat</u> 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. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Eliminating or reducing the magnitude of the transaction; or • Removing the individual from the audit team. 	<p>521.6 GIn some circumstances, a firm, a network firm, a member of the audit team, or a member of that individual's immediate family may buy goods or services from an audit client in the normal course of business and at arm's length. In such circumstances, the firm shall apply the conceptual framework contained Section 110 and paragraph R400.9 to consider the nature and magnitude of the transaction.</p> <p>Examples of 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>Network firm explicitly stated for clarity.</p>
	NEW PARAGRAPHS WITH NO EQUIVALENT IN 2014 CODE	
	<p>510.1 A financial relationship between a professional accountant and an audit client may create a threat to compliance with the fundamental principles. Sections 511 and 512 contain requirements and guidance on applying the conceptual framework to these financial relationships.</p>	<p>New introductory conceptual framework language.</p>
	<p>R510.3 In relation to financial relationships, a professional accountant shall apply the conceptual framework contained in Section 110 and paragraph R400.9.</p>	<p>New introductory conceptual framework language.</p>

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		<p>510.3 G1 Financial relationships between a professional accountant and an audit client that may create self-interest, intimidation or familiarity threats include:</p> <ul style="list-style-type: none"> • Financial interests held in an audit client • Loans, or guarantees of loans, made between a professional accountants and an audit client • Other types of financial relationships. 	New introductory language
		R511.3 In relation to financial interests, a professional accountant shall apply the conceptual framework contained in Section 110 and paragraph R400.9.	New introductory conceptual framework language.
		512.1 A loan or a guarantee of a loan between a professional accountant and an audit client may create self-interest or other threats. Subsection 512 contains requirements and guidance on applying the conceptual framework to loans and guarantees.	New introductory conceptual framework language.
		R512.2 In relation to loans and guarantees, a professional accountant shall apply the conceptual framework contained in Section 110 and paragraph R400.9.	New introductory conceptual framework language.
		520.1 In addition to financial relationships other relationships between a professional accountant and an audit client may cause threats to compliance with the fundamental principles. Section 520 contains	New introductory conceptual framework language.

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		requirements and guidance on applying the conceptual framework to these other relationships.	
		R520.2 In relation to other relationships, a professional accountant shall apply the conceptual framework contained in Section 110 and paragraph R400.9.	New introductory conceptual framework language.
		<p>520.2 G1 Relationships between a professional accountant and an audit client that may create self-interest, intimidation or familiarity threats include:</p> <ul style="list-style-type: none"> • Business relationships (see Subsection 521); • Family and personal relationships (see Subsection 5XX); and • Relationships involving: <ul style="list-style-type: none"> • Former members of the audit team or former partners of the firm (see Subsection 5XX); • Firm staff who are temporarily assigned to assist an audit client (see Subsection 5XX); • Members of the audit team who have recently served as a director, officer or employee of the audit client (see Subsection 5XX); or • Partners or employees of the firm who serve as a director or officer of the audit client (see Subsection 5XX). 	<p>New introductory conceptual framework language.</p> <p>Reference numbers for subsection 5XX are not yet available as the relevant text has not yet been restructured.</p>

Mapping Table – Part C1 (Sections 400 to 521)
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		Other types of relationships may also create similar threats.	
		R521.2 In relation to business relationships, a professional accountant shall apply the conceptual framework contained in Section 110 and paragraph R400.9.	New introductory conceptual framework language.