

1. Applying the Conceptual Framework by Professional Accountants in Public Practice (PAPP)

In this KLiP, we continue with the 2 other approaches of conceptual framework.

- ii. Evaluating threats; and
- iii. Addressing threats.

- II. **Evaluating Threats** - Existence of certain conditions, policies and procedures established by the profession, legislation or the firm, might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level.

The professional accountant's evaluation of the level of a threat is also impacted by the nature and scope of the professional services.

Evaluation of the level of a threat might be impacted by whether the client is:

- An audit client and whether the audit client is a public interest entity;
- An assurance client that is not an audit client; or
- A non-assurance client.

What are the factors to consider in the event there is an emergence of new information or change in facts and circumstances?

New information or changes in facts and circumstances might:

- Impact the level of threat; or
- Affect the professional accountant's conclusions about whether safeguards applied continue to address the identified threats as intended.

In such circumstances, actions that were already implemented as safeguards might **no longer be effective** in addressing threats. Therefore, the **Code requires** that the professional accountant to **re-evaluate and address** the threats accordingly.

Here are some **examples** for new information or change in facts and circumstances:

- a) The scope of professional service is expanded
- b) The client becomes a listed entity or acquires new business units
- c) There is a change in professional accountant's personal or immediate family relationships

- III. **Addressing Threats** - As discussed in our earlier KLiPs, if the professional accountant determines that the identified threats to compliance with the fundamental principles are not an acceptable level, the accountant shall address the threats by eliminating them or reducing to an acceptable level. The professional accountant shall do so by either:

- Eliminating the circumstances that creates the threat;
- Applying safeguards where available and capable of being applied to reduce the threats to an acceptable level;
- Decline or end the specific professional activity.

Examples of safeguards:

- a) Assigning additional time and qualified personnel when the engagement accepted might address self-interest threat.
- b) Involving another firm to perform or re-perform part of the engagement might address self-interest, self-review, advocacy, familiarity or intimidation threats.
- c) Having an appropriate reviewer who was not a member of the team, to review the work performed or advise as necessary, might address a self-review threat.
- d) Separating teams when dealing with matters of a confidential nature might address a self-interest threat.

We will discuss, to whom the accountant will communicate the matter, in our next KLIP.

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