

3. Conceptual Framework

We continue with **(A). Requirements**

In this KLiP, we will cover:

2. Evaluate the threats identified

3. Address the threats by eliminating or reducing them to an acceptable level

2. Evaluate the threats identified

When the professional accountant identifies a threat, the accountant shall evaluate whether such a threat is at an acceptable level.

An acceptable level is a level at which a professional accountant, using the **reasonable and informed third party test**, would likely conclude that the accountant complies with the fundamental principles.

Professional accountants shall also **consider qualitative as well as quantitative factors** in the evaluation of threats, as it may be a combined effect of multiple threats.

Remaining alert throughout the professional activity will assist in determining whether new information has emerged or changes in facts and circumstances have occurred which might impact the level of threat or affect the accountant's conclusions and whether safeguards applied continue to be appropriate to address the identified threats.

3. Address the threats by eliminating or reducing them to an acceptable level.

If the identified threats to compliance with the fundamental principles are **not at an acceptable level**, the accountant shall address the threats by **eliminating them or reducing them to an acceptable level**. The accountant shall do so by:

- ✦ Eliminating the circumstances that are creating the threats;
- ✦ Applying safeguards to reduce the threats to an acceptable level; or
- ✦ Declining or ending the specific professional activity.

Safeguards

Safeguards are actions (individual or in combination), that the professional accountant takes that effectively reduce threats to an acceptable level.

Depending on the facts and circumstances, a threat might be addressed by eliminating the circumstances. However, in some situation's threats can only be addressed by declining or ending the specific professional activity. This is because in some circumstances the threats cannot be eliminated and safeguards are not capable of reducing the threat to an acceptable level.

The professional accountant shall form an overall conclusion about whether the actions taken to address the threats created will eliminate those threats or reduce them to an acceptable level. In the event, if they become aware of new information or changes in facts and circumstances that might impact a threat, then the accountant shall:

- Review any significant judgements made or conclusions reached; and
- Use the reasonable and informed third party test.

With this we come to the end of the KLiP.

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