

Safeguards—Preliminary Issues and Task Force Proposals

How the Project Serves the Public Interest

Varying views exist on what constitutes a safeguard as well as on the effectiveness and appropriateness of safeguards within the Code. This project will address the clarity of the guidance provided on safeguards and examine the robustness of each specific safeguard pertaining to non-assurance services (NAS). Through enhanced clarity, the project will promote compliance by professional accountants with the fundamental principles. Through enhancing the robustness of safeguards in the Code in addressing threats to compliance with the fundamental principles and threats to independence, the project will serve to support professional accountants in fulfilling their responsibility to act in the public interest and in supporting audit quality.

I. Background

1. At its January 2015 meeting, the Board approved a project proposal to review the clarity, appropriateness and effectiveness of safeguards in Sections 100¹ and 200² of the Code and those safeguards that pertain to NAS in Section 290³ of the Code. In addition to considering preliminary issues, the Board asked the Task Force to consider the approach to co-ordination between this project and the Structure of the Code project.
2. In their responses to the Board's recently issued Consultation Paper [Improving the Structure of the IESBA Code](#) (Structure CP), some stakeholders, including a group of 20 independent European audit regulators and the International Organization of Securities Commissions (IOSCO), commented on the importance of addressing safeguards in the Code to improve the substance and enforceability of the Code.
3. The focus of the project is on improving existing requirements and guidance and does not encompass a complete overhaul of the NAS section of the Code.
4. During its work, the Task Force will consider the approach to safeguards in major jurisdictions around the world.
5. The Task Force intends to bring matters concerning safeguards and other responses to threats beyond NAS, if any, to the Board's attention for further consideration.

Support for Principles-Based Approach

6. The Task Force considered whether the principles-based conceptual framework used in the Code remains appropriate as it relates to Safeguards.
7. At its June 2013 meeting, the Board expressed its firm belief in a principles-based Code, including the "threats and safeguards" approach to auditor independence in the Code. It was noted in particular that the Code cannot cater for every possible eventuality. It was also noted that a principles-based

¹ Section 100, *Introduction and Fundamental Principles*

² Section 200, *Introduction*

³ Section 290, *Independence – Audit and Review Engagements*

approach is intended to stimulate professional accountants to think about what their ethical conduct should appropriately be in particular circumstances.

8. The Task Force was encouraged by the views of respondents to the Structure CP who strongly supported the principles-based approach used by the Code.
9. The Task Force believes that the principles-based approach is appropriate as it relates to Safeguards. The approach is versatile enough to accommodate the requirements of different countries, and different sizes and structures of firms.

II. Main Feedback from March 2015 CAG Meeting

10. At their meeting in March, CAG representatives considered the preliminary issues the Task Force has identified. The following are the more significant matters they raised and the Task Force's responses.

Matters Raised	Task Force Response
The Task Force was asked to consider what a successful outcome from the project would look like.	While the project proposal addressed this matter, the Task Force expects to consider this further at its next meeting.
There is a need to clarify the scope of the project beyond the immediate focus on safeguards as these pertain to non-assurance services (NAS). Holding of financial interests, guarantees and fee dependency were noted as further areas to be considered.	The Task Force intends to make recommendations, if any, to the Board concerning the broader scope of safeguards and other responses to threats as appropriate, beyond NAS. The IESBA Strategy and Work Plan, 2014 – 2018 includes a new activity “fee-related matters” due to commence in Q2 2017.
Regarding the exposure draft, it may be useful to present the proposed revisions relative to the extant Code vs. in the new format.	The Task Force is seeking views from IESBA members on this matter. As the safeguards project is in its preliminary stages, the Structure and Safeguards Task Forces will keep the situation under review. The Task Forces will make a decision once the safeguards project, which may result in changes of substance, has developed further.
Consideration should be given to clarifying that not every threat can be safeguarded.	The Task Force is aware of these concerns. The Task Force expects to review each element of the threats and safeguards approach and provide clarity where appropriate.
There was support for exploring the issue of materiality within the Code. The Task Force was advised to exercise caution when considering the	The Task Force intends to explore whether the guidance on materiality in relation to threats pertaining to the specific circumstances on NAS in Section 290 could be improved. The Task Force

Matters Raised	Task Force Response
concept of materiality, given the risk of unintended consequences from revisions in this area.	agreed to proceed cautiously in moving forward with this matter.
The role of those charged with governance (TCWG) is important in assessing auditor independence. There was understanding that the Board is not in a position to set requirements for TCWG. The environment is changing and the Task Force should consider how to improve reporting of independence matters to TCWG. The Code could be strengthened by including requirements for auditors to push information to TCWG. The Task Force should consider the implications of any proposals on the auditors of organizations that do not have individuals charged with governance.	The Task Force is in the early stages of considering this matter. The Task Force is seeking the views of IESBA members. The Task Force intends to liaise with the International Auditing and Assurance Standards Board (IAASB) to ensure consistency with the International Standards on Auditing (ISAs).
The Task Force should consider the cumulative effect of NAS provided to an audit client.	The Task Force is aware of these concerns. While this matter is currently addressed in the Code, the Task Force expects to review each element of the threats and safeguards approach and provide clarity on the matter where appropriate.

III. Preliminary Issues

11. At its meeting in February 2015, the Task Force identified the following preliminary issues for the Board's consideration.

A. Conceptual Framework

Overview

12. The Task Force expects to review each element of the threats and safeguards approach, including the types of threats and safeguards that may exist.
13. The conceptual framework requires professional accountants to:⁴
 - (a) Identify threats to compliance with the fundamental principles;
 - (b) Evaluate the significance of the threats identified; and
 - (c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude,

⁴ Paragraph 100.2

weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.

14. The Task Force believes it may be useful to clarify the application of the conceptual framework in the Code. The Task Force notes that in Section 200 of the Code, the discussion on the application of the conceptual framework is very brief. The Task Force believes that including more discussion on the application of the conceptual framework in Section 200 and strengthening the links to Section 100 would help to put the examples of threats and safeguards listed in Section 200 in context. Giving more prominence to the conceptual framework in Section 290 may also be of benefit.
15. Depending on the circumstances or relationship causing a threat, it may not be possible to eliminate or reduce a threat to an acceptable level through the application of safeguards. For some predetermined situations in the Code, the application of the conceptual framework has resulted in a prohibition.
16. In other situations, professional judgment is required with respect to the application of safeguards, some of which may be mandatory, responsive to the nature and significance of the threat, to eliminate or reduce the threat to an acceptable level.
17. When threats cannot be avoided or reduced to an acceptable level, either because the threat is too significant or because appropriate safeguards are not available or cannot be applied then, applying the conceptual framework requires the professional accountant to eliminate the circumstance or relationship creating the threats or, for audit engagements, to decline or terminate the audit engagement.

Public Interest Entities and Other Entities

18. For some NAS, the Code includes more stringent requirements or additional prohibitions regarding the provision of NAS to public interest entities (PIEs). The Code recognizes that PIEs attract greater public interest given their large number and wide range of stakeholders, and factors such as their size and nature of business. The nature of safeguards that could reduce a threat to an “acceptable level,” in a given situation, may not be the same for PIEs and non-PIEs. The Task Force plans to review whether there needs to be more guidance in linking the differences between a PIE and non-PIE when evaluating “acceptable level” in a given situation.

Matter for Consideration

1. IESBA members are asked to share their views on how to improve the understanding of the application of the conceptual framework for PIEs as it pertains to the threats and safeguards approach.

Threats

19. Five categories of threat to the fundamental principles are identified in the Code.⁵ These are:
 - (a) Self-interest threat;

⁵ Paragraph 100.12

- (b) Self-review threat;
 - (c) Advocacy threat;
 - (d) Familiarity threat; and
 - (e) Intimidation threat.
20. The Task Force plans to consider whether there are additional threats to compliance with the fundamental principles which should be explicitly referred to in the Code. For example, an IFAC Member Body ⁶ has recognized threats pertaining to undue influence, adverse interest and management participation in its code.

Matter for Consideration

2. Do IESBA members agree with the Task Force's proposal to consider the additional threats that could be included in the Code?

Materiality

21. Materiality is used throughout the Code as a method of evaluating the significance of the threats identified. However, in different parts of the Code it has different meanings. For example:
- In relation to an individual

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.
 - In relation to the results of a NAS

290.179 In the case of an audit client that is not a public interest entity, if the valuation service has a material effect on the financial statements on which the firm will express an opinion and the valuation involves a significant degree of subjectivity, no safeguards could reduce the self-review threat to an acceptable level. Accordingly a firm shall not provide such a valuation service to an audit client.
22. The Code gives some guidance regarding the application of materiality to financial interests, loans, guarantees and business relationships:⁷
- 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.

⁶ AICPA

⁷ Paragraph 290.101

23. In addition, the November 2012 IESBA Staff Questions and Answers, [Implementing the Code of Ethics – Part II](#) includes reference to the International Auditing and Assurance Standards Board's (IAASB's) International Standard on Auditing (ISA) 320, *Materiality in Planning and Performing an Audit* with respect to the meaning of materiality when the Code refers to a NAS having a material effect on the client's financial statements.
24. The Task Force intends to explore whether the guidance on materiality in relation to threats pertaining to the specific circumstances of NAS in Section 290 could be improved.

Matter for Consideration

3. Do IESBA members agree that the Task Force should consider the guidance on materiality as it pertains to NAS?

Reasonable and Informed Third Party

25. A suggestion was made at the Board that the Task Force consider addressing what is meant by the reasonable and informed third party test when considering whether the application of safeguards has eliminated or reduced threats to an acceptable level.
26. The Task Force considered whether the request was within the scope of the project. When applying the conceptual framework, a professional accountant is required to determine whether the safeguards applied are effective at eliminating or reducing threats to an acceptable level. The Code defines an "acceptable level" as follows:
- A level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.
27. Although this test is not a safeguard in itself, the Task Force is of the view that the concept of a reasonable and informed third party is fundamental to assessing whether the safeguards applied are effective in eliminating or reducing the threat to an acceptable level.
28. The Task Force understands that the test is intended to be an objective test. The Task Force is of the view that there may be a lack of understanding of the concept by users of the Code and that the Code would therefore benefit from further guidance and explanation in this area. The Task Force's initial examples of potential characteristics of a "reasonable and informed third party" which could be added as guidance to the Code are:
- An independent person who can apply reason and take advantage of the information available at the time.
 - Such a person does not have to be a professional accountant but should understand the decision the accountant has to make.
29. The Task Force believes additional guidance in this area would enhance the clarity of the Code and assist professional accountants in determining whether the safeguards applied have reduced threats to an acceptable level. The Task Force is considering obtaining a formal legal opinion and, in the meantime, has consulted with other IESBA members who have knowledge in this area.

30. The Task Force notes that the Structure of the Code Task Force is investigating the difference between the “reasonable and informed third party” concept used in the Code and the IAASB’s ISAs.

Matter for Consideration

4. Do IESBA Members agree that further guidance on the concept of a reasonable and informed third party, including a description of the characteristics of such a party, would add clarity to assessing whether safeguards are effective in reducing identified threats to acceptable level?

Safeguards

31. The Code includes a number of responses to threats which are referred to as safeguards. The Code also includes other wider safeguards, which may not be specific to threats, such as those described in paragraphs 200.12 – 200.15 (see the Appendix).

Description of Safeguards

32. The Code currently describes but does not define what is meant by safeguards in paragraph 100.13:

Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level.

33. The Task Force has considered various dictionary definitions of safeguards and the definitions or descriptions of safeguards included in ethical regulations.

34. An IFAC member body⁸ defines safeguards as “actions or other measures that may eliminate a threat or reduce a threat to an acceptable level.” It, however, goes on to add:

Safeguards to auditor independence are controls that mitigate or eliminate threats to auditor independence. Safeguards include prohibitions, restrictions, disclosures, policies, procedures, practices, standards, rules, institutional arrangements, and environmental conditions.⁹

35. A regulatory organization,¹⁰ which is also responsible for setting standards, does not provide a definition of safeguards but describes them as:

procedures (‘safeguards’), which will either: (a) eliminate the threat (for example, by eliminating the circumstances, such as removing an individual from the engagement team or disposing of a financial interest in the audited entity); or (b) reduce the threat to an acceptable level, that is a level at which it is not probable that a reasonable and informed third party would conclude that the auditor’s objectivity is impaired or is likely to be impaired (for example, by having the audit work reviewed by another partner or by another audit firm).

36. The Task Force believes it is more effective for the Code to describe rather than define safeguards.

⁸ AICPA

⁹ AICPA Code of Professional Conduct, Section 100, *Independence, Integrity and Objectivity*

¹⁰ UK Financial Reporting Council

37. In considering whether the description of a safeguard in the Code could be improved, the Task Force considered whether an action had to be effective in eliminating or reducing a threat to an acceptable level in order for it to be described as a safeguard.
38. The Task Force agreed that actions individually did not have to be effective in order to be described as safeguards. However, the intention should be for them, either individually or in combination, to eliminate or reduce the threat to an acceptable level. The Task Force believes the description of a safeguard in the Code could be strengthened. The Task Force has identified some possible wording as follows:
- Safeguards are actions or other measures that ~~may~~ are appropriate to eliminate threats or reduce them to an acceptable level.
 - Safeguards are actions or other measures that ~~may~~ will reasonably eliminate threats or reduce them to an acceptable level.
 - Safeguards are actions or other measures that ~~may~~ are designed to eliminate threats or reduce them to an acceptable level.

Matter for Consideration

5. IESBA members are asked for views on the suggested descriptions of a safeguard.

Evaluating the Effectiveness of Safeguards

39. The Task Force believes that evaluating the significance of identified threats should not be a one-time exercise. It is of the view that threats should be reassessed by the professional accountant after safeguards have been applied to determine whether those safeguards have been effective in eliminating or reducing the threat. In this regard, in its response to the Structure CP, a regulatory stakeholder¹¹ commented that “greater emphasis should be placed on the need for auditors to step back after complying with the standards-specific requirements to determine if, based on the facts and circumstances, the auditor is independent with respect to the fundamental principles.”
40. The Task Force suggests clarifying the conceptual framework as follows:
- (a) Identify threats to compliance with the fundamental principles;
 - (b) Evaluate the significance of the threats identified;
 - (c) Respond to threats:
 - i. Eliminate the circumstance or relationship creating the threat; or
 - ii. Identify effective safeguards to reduce threats to an acceptable level, where possible:
 - a. Apply such safeguards;
 - b. Reassess the level of threat and effectiveness of safeguards applied; and
 - c. When threats cannot be avoided or reduced to an acceptable level, either because the threat is too significant or because appropriate safeguards are not available or

¹¹ IOSCO

cannot be applied then, applying the conceptual framework requires the professional accountant to eliminate the circumstance or relationship creating the threats or, for audit engagements, decline or terminate the audit engagement.

41. Depending on the threat identified, the Task Force is of the view that a combination of actions to eliminate or reduce threats may need to be taken. It believes further explanation could be added to the Code in this regard.

Matters for Consideration

6. IESBA members are asked for views on clarifying the conceptual framework, including adding a requirement to reassess the level of threat after safeguards have been applied?
7. Do IESBA members agree that in some cases a combination of safeguards may be required to eliminate or reduce a threat to an acceptable level?

Types of Safeguard

42. Section 200 currently lists examples of firm-wide and engagement-specific safeguards. The Task Force is aware of some criticism that the safeguards listed in this section are not safeguards specific to threats but are pre-requisites for good practice. For example, it has been noted that applying the requirements of a standard such as ISQC 1¹² should not be considered a safeguard. As noted earlier in this section, the Task Force believes Section 200 could be more clearly connected to the conceptual framework rather than simply providing a “laundry list” of examples.
43. The Task Force believes firm-wide safeguards have an important role in ensuring that engagement-specific safeguards can be effective in eliminating or reducing threats to an acceptable level. The Task Force is of the view that the application of specific safeguards to a situation is made more robust by having these firm-wide safeguards in place. These may include written policies which, although not safeguards, may increase the robustness of the response to threats. To ensure the content of the Code is consistent with the requirements of ISQC 1, the Task Force intends to liaise with the IAASB in this area.
44. The Task Force believes there may also be safeguards which are engagement-specific but inherent in the way different firms are structured, i.e., to respond to individual threats at a firm-wide level. For example, some firms may have separate departments to provide different services. In these situations, the Task Force believes it is important to note that the same threat arises but is reduced to an acceptable level by the application of engagement-specific safeguards at a firm-wide level.
45. The Task Force discussed audited entity safeguards, i.e., those policies and procedures that may be put in place by client management which reduce threats to fundamental principles. The Task Force is of the view that these should not be described as safeguards but instead as facts and circumstances to consider when evaluating the threat.

¹² International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

Matters for Consideration

8. Do IESBA members believe it is relevant to have firm-wide safeguards, intended to ensure engagement-specific safeguards can operate effectively, included in the Code? If so, IESBA members are asked for views on how to reposition the firm-wide safeguards within the code to ensure users understand the importance of implementing them.
9. Do IESBA members agree that audited entities' policies and procedures should not be described as safeguards in the Code?

Safeguards for NAS

46. The Task Force intends to consider the current requirements and guidance on safeguards to address potential threats from the specific circumstances of NAS in Section 290, including whether enhancements are needed to ensure consistency and better correlation of safeguards to address the specific potential threats.

B. Those Charged With Governance

47. In 2013, the Board undertook a survey of a number of jurisdictions to gather input into its NAS project. Respondents were asked whether their national ethical requirements addressed the involvement of those charged with governance (TCWG) (for example, pre-approval of NAS) with respect to the provision of NAS by a firm to an audit client.
48. The extant Code encourages regular communication between the firm and TCWG regarding relationships and other matters that might reasonably bear on independence.¹³ The Task Force believes it is appropriate to re-consider the role of TCWG as it pertains to the provision of NAS.
49. The Task Force's initial view is that communication with TCWG is not a safeguard but may be a factor to consider when evaluating the significance of a threat. In addition, the Task Force believes the views of TCWG may be an indicator of the conclusion which a reasonable and informed third party may reach when determining whether safeguards have eliminated a threat or reduced it to an acceptable level.
50. While the survey findings indicated that rules addressing the involvement of TCWG with respect to the provision of NAS varied among jurisdictions, there were some jurisdictions that do require specific communications with TCWG regarding the NAS that will be provided.
51. A number of options are set out for the Board's consideration. These include:
 - Maintaining the current position;
 - Obtaining the concurrence of, or mandatory pre-approval by, TCWG for the provision of NAS by the auditor; or
 - Requirement for the auditor to disclose to TCWG the NAS provided to the client with minimum requirements for the matters to be disclosed.

¹³ Paragraph 290.28

52. The Task Force intends to proceed cautiously as it does not wish to create a requirement for TCWG who may not be bound by the Code. It intends to further consider the approach taken in the Code¹⁴ regarding addressing breaches of the provisions of Section 290 and the requirements within ISA 260¹⁵ before making any recommendations to the Board.

Matters for Consideration

10. IESBA members are asked for their views on:
- (a) The role of TCWG as a safeguard in relation to the provision of NAS; and
 - (b) The possible options to strengthen the requirements for the auditor to communicate with TCWG on the subject of independence.

C. Documentation

53. At the January 2015 Board meeting, a suggestion was made for the Task Force to consider the matter of documentation. The Task Force notes that a review of the documentation requirements in the Code is not within the project scope. The Task Force agreed on the importance of documentation of ethics matters.
54. The Task Force nevertheless believes that the current documentation requirement in Section 290¹⁶ may benefit from further guidance regarding the matters to be documented. Such matters might include consultations made by the auditor and communication with TCWG. The Task Force intends to explore this further and make recommendations on any proposed changes in due course. ISQC 1 and ISA 230¹⁷ include requirements to document matters relating to the audit. To ensure a holistic approach to documentation, the Task Force intends to liaise with the IAASB in this area.
55. In addition, the Task Force notes that the current requirement relates only to Section 290 of the Code. The Board may wish to consider introducing documentation requirements for the remainder of the Code in due course.

Matters for Consideration

11. Do IESBA members agree with the Task Force to consider documentation as part of the project along the lines proposed above?

D. Small and Medium Practices (SMP) Considerations

56. SMPs have expressed concerns that many of the example safeguards in the Code are not available to them. As a principles-based code, the Task Force believes that the conceptual framework is capable of being applied proportionally in all cases regardless of the size of firm or client. For example, a large firm may implement firm-wide safeguards to ensure the audit partner is notified prior

¹⁴ Paragraph 290.45 - 47

¹⁵ ISA 260, *Communication with Those Charged with Governance*

¹⁶ Paragraph 290.29

¹⁷ ISA 230, *Audit Documentation*

to accepting any engagements to provide NAS to an audit client. Such a policy may not be required in SMPs, including sole practitioner firms, since they are more likely to know what services are being provided.

57. During the project, the Task Force will consider whether there are further examples and guidance that may be useful in the context of SMPs.

Matter for Consideration

12. Do IESBA members believe there are any additional matters which should be considered by the Task Force?

III. Alignment and Coordination with the Structure of the Code Project

58. At its January 2015 meeting, the Board recognized the close linkage of this project to the Structure of the Code project and the ambitious timeframes for both projects. The Board therefore asked the Safeguards Task Force to liaise with the Structure Task Force to ensure the projects are aligned and coordinated. The Structure Task Force has outlined the planned approach, which has been considered by both Task Forces, as part of Agenda Item 5.
59. Concurrent with the Structure Task Force, the Safeguards Task Force is aiming to present a draft of any proposed changes to the Code for approval for exposure at the December 2015 IESBA meeting.
60. The Safeguards Task Force expects to issue a standalone exposure draft (ED) with questions related to the proposed changes to safeguards. Comments related to changes in structure are expected to be dealt with in the ED for the Structure project. The Safeguards Task Force has considered alternative options for presenting the proposed changes in a manner that assists respondents in identifying and understanding the changes made, including:
- Exposing only the proposed revisions in the format and language convention of the draft restructured Code. A table which shows each provision of the extant Code and detailed explanation of the changes made could be provided; and
 - Presenting the proposed revisions in the structure of the extant Code, in addition to exposing the proposed revisions in the format and language convention of the draft restructured Code. This could be in the form of a side-by-side table or text presented in two separate parts of an exposure draft.
61. Another alternative would be to run the projects consecutively, however, this would result in a delay to one of the projects, both of which are seen as important in improving the Code.
62. As the safeguards project is in its preliminary stages, the Task Forces will keep the situation under review. The Task Forces will make a decision on how to present the proposed changes once the safeguards project, which may result in changes of substance, has developed further.

Matter for Board Consideration

13. IESBA members are asked for their views on what would be helpful for respondents with regard to the material presented in an exposure draft.

APPENDIX

Paragraphs 200.12 – 200.15

200.12 Examples of firm-wide safeguards in the work environment include:

- Leadership of the firm that stresses the importance of compliance with the fundamental principles.
- Leadership of the firm that establishes the expectation that members of an assurance team will act in the public interest.
- Policies and procedures to implement and monitor quality control of engagements.
- Documented policies regarding the need to identify threats to compliance with the fundamental principles, evaluate the significance of those threats, and apply safeguards to eliminate or reduce the threats to an acceptable level or, when appropriate safeguards are not available or cannot be applied, terminate or decline the relevant engagement.
- Documented internal policies and procedures requiring compliance with the fundamental principles.
- Policies and procedures that will enable the identification of interests or relationships between the firm or members of engagement teams and clients.
- Policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single client.
- Using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to an assurance client.
- Policies and procedures to prohibit individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement.
- Timely communication of a firm's policies and procedures, including any changes to them, to all partners and professional staff, and appropriate training and education on such policies and procedures.
- Designating a member of senior management to be responsible for overseeing the adequate functioning of the firm's quality control system.
- Advising partners and professional staff of assurance clients and related entities from which independence is required.
- A disciplinary mechanism to promote compliance with policies and procedures.
- Published policies and procedures to encourage and empower staff to communicate to senior levels within the firm any issue relating to compliance with the fundamental principles that concerns them.

200.13 Examples of engagement-specific safeguards in the work environment include:

- Having a professional accountant who was not involved with the non-assurance service review the non-assurance work performed or otherwise advise as necessary.

- Having a professional accountant who was not a member of the assurance team review the assurance work performed or otherwise advise as necessary.
- Consulting an independent third party, such as a committee of independent directors, a professional regulatory body or another professional accountant.
- Discussing ethical issues with those charged with governance of the client.
- Disclosing to those charged with governance of the client the nature of services provided and extent of fees charged.
- Involving another firm to perform or re-perform part of the engagement.
- Rotating senior assurance team personnel.

200.14 Depending on the nature of the engagement, a professional accountant in public practice may also be able to rely on safeguards that the client has implemented. However it is not possible to rely solely on such safeguards to reduce threats to an acceptable level.

200.15 Examples of safeguards within the client's systems and procedures include:

- The client requires persons other than management to ratify or approve the appointment of a firm to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.
- The client has implemented internal procedures that ensure objective choices in commissioning non-assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.