

### Safeguards Phase 2—Issues and Task Force Proposals

#### A. Introduction

1. At their March 2016 meetings, the IESBA and IESBA Consultative Advisory Group (CAG) provided direction to the Task Force with respect to its Phase 2 work (i.e., safeguards-specific proposals for Sections 400<sup>1</sup> and 600<sup>2</sup>).
2. The version of Section 600 being put forward for the June 2016 IESBA discussion will be updated to incorporate the IESBA's conclusions on the revisions to Sections 120<sup>3</sup> and 300<sup>4</sup> in response to the feedback on the December 2015 Exposure Drafts, *Proposed Revisions Pertaining to Safeguards in the Code—Phase 1* (Safeguards ED-1) and *Improving the Structure of the Code of Ethics for Professional Accountants* (Structure ED-1).<sup>5</sup>
3. In response to the feedback from the IESBA and the CAG at their March 2016 meetings, the proposed safeguard-specific changes to Section 400 of Structure ED-1 were reversed out. The agenda materials for the Structure of the Code project include highlights of the feedback from respondents to Structure ED-1.<sup>6</sup> The Structure and Safeguards Task Forces will consider revisions to Section 400 during their post-June meetings and will present proposals at the September 2016 IESBA meeting.

#### Matters Addressed in this Paper

4. This paper discusses the rationale for the proposed safeguards-specific changes to the non-assurance services (NAS) section of the extant Code (i.e., Section 600). Paragraph 19 includes an overview of the Task Force's safeguards-specific proposed revisions to Section 600. **Agenda Item 3-E** is a mapping table that compares the Task Force's proposals to the NAS provisions in the extant Code.

#### Recap of Safeguards Project Scope

5. The January 2015 Safeguards project proposal notes that the project is intended to evaluate and make recommendations on the clarity, appropriateness and effectiveness of the current overview of safeguards in Sections 100<sup>7</sup> and 200<sup>8</sup> of the extant Code and those safeguards that pertain to NAS in Section 290<sup>9</sup> of the Code. The Appendix to this paper includes an overview of the specific matters set out in the project proposal and an update of the Task Force's and IESBA's activities with respect to those matters.

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<sup>1</sup> Section 400, *Application of Conceptual Framework to Independence for Audits and Reviews*

<sup>2</sup> Section 600, *Provision of Non-assurance Services to an Audit Client*

<sup>3</sup> Section 120, *The Conceptual Framework*

<sup>4</sup> Section 300, *Application of Conceptual Framework to Professional Accountants in Public Practice*

<sup>5</sup> The Task Force's considerations of revisions to Safeguards ED-1 and Structure ED-1 in response to respondents' feedback is included at **Agenda Items 3-A, 3-B** and **Agenda Item 2A** respectively.

<sup>6</sup> Paragraphs R400.9–R400.10 of Section 400, *Application of the Conceptual Framework to Independence for Audits and Reviews* include specific requirements that pertain to the application of the conceptual framework to independence that is intended to replace paragraphs 290.4–290.11, *Application of the Conceptual Framework Approach to Independence* of the extant Code.

<sup>7</sup> Section 100, *Introduction and Fundamental Principles*

<sup>8</sup> Section 200, *Introduction (Professional Accountants in Public Practice)*

<sup>9</sup> Section 290, *Independence – Audit and Review Engagements*

### Interaction with Structure Task Force

6. As noted in **Agenda Item 3**, the Task Force continues to work very closely with the Structure Task Force in a coordinated fashion. For purposes of the June 2016 IESBA meeting, the Task Forces have worked closely to develop proposals to clarify the linkage between independence and the fundamental principles, and to clarify that the provisions in the conceptual framework set out in Section 120 also apply with respect to threats to independence.

#### *Outline Used in Developing NAS Subsections*

7. In close coordination with the Structure Task Force, the Task Force agreed that it is important to be consistent in the structure and, where applicable, the content of the NAS subsections of the Code. Accordingly, each subsection now includes:
- An introduction with a general description of the NAS and the type of threats that are created by accepting or providing the NAS to an audit client.
  - Where applicable, prominently positioned prohibitions with respect to audits of public interest entities (PIEs), followed by the prohibitions with respect to audits of non-PIEs.
  - Enhanced application material for identifying, evaluating, or addressing threats.
  - Where applicable, examples of actions that might be safeguards.
8. Consistent with the drafting guidelines developed by the Structure Task Force, unnecessary duplication of material from other sections of the Code (e.g., Sections 120, 300 and 400) is avoided.

### **B. Matters with Potential Implications for the Rest of the Code**

#### **“Significance of the Threat” Versus “Level of Threat”**

9. In the Explanatory Memorandum (EM) to Safeguards ED-1, the IESBA explained its view that the terms “material”, “significant” or “significance,” the meaning of which is consistent with the concept of materiality as addressed in the International Standards on Auditing, are not appropriate for establishing the overarching requirements and principles about threats and safeguards. The EM also notes that the IESBA will consider whether further guidance is needed in the Code to better explain those terms in the context of the NAS section.
10. The Task Force believes that the term “...evaluate the significance of the threat...” which appears three times in the NAS section of the extant Code, should be replaced with “...evaluate the level of the threat...” The Task Force is of the view that the words “significance” and “significant” in the Code should be used in a manner that is consistent with the meaning of “materiality” as addressed in ISA 320.<sup>10</sup> Accordingly, the Task Force has developed new application material to provide guidance on materiality in the context of NAS (see paragraph 20 below).
11. The Task Force believes that the term “...evaluate the level of the threat...” aligns more closely with the defined concept “acceptable level,” which is the level at which a reasonable and informed third party would likely conclude that the professional accountant complies with the fundamental principles.

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<sup>10</sup> International Standard on Auditing (ISA) 320, *Materiality in Planning and Performing an Audit*

*Implication of Task Force's Proposal*

12. The Task Force notes that conforming changes will need to be made throughout the Code to replace the term "...evaluate the significance of the threat..." as well as similar terms with "...evaluate the level of the threat ...". The Task Force has identified the need for the conforming changes to be made to the following:
- "...existence and significance of any threat will depend on factors such as..."
  - "...significance of any threat shall be evaluated and safeguards applied..."

**Matter for IESBA Consideration**

1. Do IESBA members agree with the Task Force's proposal to replace "significance" with "level" in the following terms as used in the extant Code?
- "...Significance of the threat..."
  - "...Existence and significance of any threat will depend on factors such as..."
  - "...Significance of any threat shall be evaluated and safeguards applied..."

*Conceptual Framework, Threats to Compliance with Fundamental Principles and Threats to Independence*

13. As noted at **Agenda Item 2-A**, additional introductory material has been added to paragraphs 600.1 and 600.2 to better explain what the NAS section of the Code is intended to address and to clarify that:
- The provisions in conceptual framework are relevant in the context of applying the provisions in Section 600 (see paragraph 600.2).
  - The firm needs to address both "threats to compliance with the fundamental principles" as well as "threats to independence" when accepting and providing NAS.
14. The Task Force notes that the IESBA's deliberations about the linkage between independence and the fundamental principles will have implications for the final words in paragraphs 600.1 and 600.2.

**C. Matters Relevant to the Revision of the NAS Section of the Code**

15. The IESBA and the CAG generally supported the Task Force's March 2016 initial proposals for revising the NAS section of the extant Code. However, the IESBA assessed that certain areas, such as the Task Force's proposals pertaining to those charged with governance (TCWG) and documentation, require a broader consideration, including liaison with the IAASB. The IESBA deemed that these matters are beyond the scope of the Safeguards project, and has agreed to revisit those issues at a future date in the context of the future strategy and work plan.
16. The Board also asked that the Task Force be mindful of the revisions to the Code introduced in the April 2015, [Changes to the Code Addressing Certain Non-Assurance Services Provisions for Audit and Assurance Clients](#).<sup>11</sup>

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<sup>11</sup> The April 2015 NAS changes are already effective as of April 15, 2016 and:

- Prohibit auditors from assuming management responsibility when providing NAS to audit clients;
- Remove provisions that permitted an audit firm to provide certain bookkeeping and taxation services to PIE audit clients in emergency situations;
- Introduce new and clarified application material regarding what constitutes management responsibility; and
- Clarify guidance regarding the concept of "routine or mechanical" services relating to the preparation of accounting records and

### Approach for Developing Safeguards-specific Revisions for NAS

17. The November/December 2015 IESBA agenda materials for the Structure of the Code project included a draft of the restructured NAS section of the extant Code (initial draft of Section 600). The Task Force used the initial draft of Section 600 as a starting point for developing its proposals, which can be categorized as follows:
  - Improvements to the examples of safeguards.
  - Changes to align to Safeguards ED-1 and the drafting conventions in Structure ED-1.
  - Clarifications and other consistency enhancements and removal of unnecessary duplication.
18. The Task Force also identified a number of matters that in its view go beyond the scope of the Safeguards project. Those matters are discussed in this paper, in particular Section D.

### Issues and Rationale for Task Force Revisions

#### *Overview of Safeguards-specific Revisions Made to the NAS Section of the Code*

19. The Task Force has clarified the existing material in the extant Code, and expanded on the requirements and application material to identify, evaluate and address threats created by accepting and providing NAS to audit clients, in particular when a NAS is not explicitly referred to in the subsections in Section 600. Other enhancements include:
  - Improved General Provisions for Identifying and Evaluating Threats. Section 600 includes examples of factors that are important to the firm's evaluation of the level of any threat created by accepting and providing NAS to audit clients. While the Code provides guidance for certain specific types of NAS in the subsections within Section 600, the Task Force believes that it is important to have guidance for situations when a firm might provide a NAS that is not explicitly included in the Code.
  - New Application Material to Explain Materiality in Relation to an Audit Client's Financial Statements. The Task Force agreed to explain materiality in relation to an audit client's financial statements within the NAS section of the Code. The Task Force believes that its proposal is responsive to suggestions that have been made by some stakeholders, for example, the IFAC SMP Committee.
  - Enhanced Provisions for Addressing Threats. The Task Force has clarified the examples of safeguards in the NAS section of the Code. For example:
    - Within each subsection, the safeguards are described in a more consistent manner. Also, an explicit reference to the type of threat that the safeguard is addressing is mentioned.
    - The existing prohibitions in the Code are more prominent and consistently positioned. Also there is an explicit statement indicating that the subsections include examples of types of non-assurance services that might be provided to an audit client for which there can be no safeguards to eliminate or reduce the threat created to an acceptable level.
  - Alignments to the Format and Drafting Conventions Used in the Structure of the Code Project. The Task Force believes that the new format and drafting conventions, including the increased use of

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financial statements for audit clients that are not PIEs.

section headings and subheadings enhance the readability and clarity of the NAS section of the Code.

*Materiality in Relation to an Audit Client's Financial Statements*

20. As noted at paragraphs 9–12 above, the Task Force is of the view that the terms “significant” or “significance” in the Code should be consistent with how the concept of materiality is described. The Task Force’s proposals include new application material to explain how firms should consider materiality when evaluating the level of any threat created. This guidance draws on material that was included in the 2012 [IESBA Staff Q&A, Implementing the Code of Ethics—Part II](#) and directs the firm to ISA 320.

Matter for Further IESBA Consideration

21. The Task Force notes that the concept of materiality is applicable in other areas in the Code and not just in the NAS section. For example, paragraph 510.3 notes that the “Section 510, *Financial Interests* contain references to the ‘materiality’ of a financial interest”, and that “for the purposes 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.”
22. The Task Force is of the view that a broader consideration of how the concept of materiality should apply in the context of the full Code, and not just NAS, might be needed. However, the Task Force believes that such an undertaking goes beyond the scope of the safeguards project. The Task Force also believes that any changes to the concept of materiality in the Code potentially would need liaison with the IAASB and the International Accounting Standards Board.

**Matter for IESBA Consideration**

2. Do IESBA members agree with the Task Force’s proposed application material for materiality in relation to an audit client’s financial statements as set out in paragraph 600.4 A5–600.4 A6 of **Agenda Item 3-D**?

*Subsections 601 and 602 – Management Responsibilities and Administrative Services*

23. The Task Force noted that the management responsibilities and administrative services subsections were substantively revised as a result of the April 2015 NAS changes. Accordingly, limited changes were determined to be necessary to:
- Restructure the extant text using the format and drafting conventions in Structure ED-1.
  - Conform to the changes in Safeguards ED-1.
24. Paragraph 602.4 notes that providing administrative services to an audit client does not generally create a threat to independence. The Task Force has developed new application material to reiterate the firm’s responsibility to apply the conceptual framework to evaluate and address any threat that is created so that it is eliminated or reduced to an acceptable level.

**Matter for IESBA Consideration**

3. Do IESBA members agree with the Task Force’s proposed limited revisions to the management and administrative services material in Subsections 601 and 602?

*Subsections 603 604, 606 and 607 – Accounting and Bookkeeping Services, Including Preparing Accounting Records and Financial Statements, Valuation Services, Internal Audit Services, and Information Technology Systems (IT) Services*

25. The Task Force noted that accepting and providing accounting and bookkeeping services, valuation services, internal audit services, and IT services, might create self-review threats. Because self-review threats created from providing these types of services are the same, the Task Force agreed that it is appropriate for the examples of safeguards for addressing self-review review threats should be similar. The Task Force reviewed the description of the examples of safeguards in those subsections and noted that they were similar in substance but described using different words.
26. The Task Force has revised the examples of safeguards in the accounting and bookkeeping services, valuation services, internal audit services, and IT services subsections so that they are described in consistent manner.

*Accounting and Bookkeeping Services, Including Preparing Accounting Records and Financial Statements*

27. The Task Force observed that the title of the section heading in the extant Code “preparing accounting records and financial statements” did not align to the language in the first sentence in paragraph 290.165 of the extant Code, “Providing an audit client with accounting and bookkeeping services, such as preparing accounting records and financial statements...” Accordingly, the Task Force proposes the use of a new subsection heading with a title, “Accounting and Bookkeeping Services, Including Preparing Accounting Records and Financial Statements” which it believes to be more appropriate.

*Other Revisions*

28. Other revisions to accounting and bookkeeping services, valuation services, internal audit services and IT services subsections are intended to:
  - Enhance readability, and align with the proposals in Safeguard ED-1 and Structure ED-1.
  - Avoid the use of the term “...existence of and significance of any threats...” or “...significance of any threats...” as discussed in paragraphs 9–12 of this paper.
  - Enhance the application material for evaluating threats. For example, within the valuation services subsection, the Task Force agreed to reorder and clarify the list of factors for evaluating threats (see paragraph 604.5 A1).

*Matters for Further Task Force Consideration*

29. **Agenda Item 3-D** includes the Task Force’s proposed new example of a safeguard “hiring a professional external to the firm to review the service” to the valuation, internal audit; and IT subsections. The Task Force notes that there is an ongoing debate about whether the self-review threats is reduced when the “professional” is a firm employee (i.e., internal to the firm) or a contractor (i.e., external to the firm). There is a view that whether the professional is within the firm or a contractor should not matter as long as the professional is not involved in the audit. On the other hand, there is a view that having another professional internal to the firm review the NAS work is not an appropriate safeguard to address threat to independence. The Task Force has not reached conclusions on this issue and plans to further deliberate at its July 2016 meetings.
30. The Task Force plans to develop an example of a safeguard that might address advocacy threats in the

legal services subsection (i.e., Subsection 609) as part of its future work.

**Matters for IESBA Consideration**

4. Do IESBA members agree with the Task Force's proposed revisions to the accounting and bookkeeping services, valuation services, internal audit services and IT services in Subsections 603, 604, 606, 607?
5. Do IESBA members agree with the Task Force's proposal to revise the title of Subsection 603 to be *Accounting and Bookkeeping Services, Including Preparing Accounting Records and Financial Statements*?
6. The IESBA is asked for views about adding as a new example of a safeguard in the valuation, internal audit, and IT subsections the "hiring a professional external to the firm to review the service," taking into account the views raised at paragraph 29 above.

*Subsection 605 – Taxation Services*

31. The Task Force observed that the taxation services subsection is the longest in the NAS section of the Code. The Task Force notes that this is because it provides guidance for the various types of taxation services that might be provided to an audit client.
32. Accepting and providing taxation services to audit clients might create self-review or advocacy threats. As noted above, the Task Force agreed that the safeguards that address self-review threats should generally be the same. The Task Force reviewed the examples of safeguards in the taxation services section in paragraphs 605.5 A3, 605.9 A1, 605.10 A4, and 605.11 A4 and agreed that they are appropriate.
33. Paragraph 605.4 A2 notes that providing tax return preparation services to an audit client do not usually create a threat to independence if management takes responsibility for the returns including any significant judgments made. A new sentence has been added to reiterate the firm's responsibility to apply the conceptual framework to evaluate and address any threat that is created so that it is eliminated or reduced to an acceptable level.
34. The other changes to the taxation service subsection are similar to those described in paragraph 28 above.

**Matter for IESBA Consideration**

7. Do IESBA members agree with the Task Force's proposed revisions in the taxation services Subsection 605?

*Subsection 608 – Litigation Support Services*

35. The Task Force noted that there are no explicit examples of safeguards in the litigation support services subsection of the Code. The extant Code includes a reference to the valuation services subsection, but only for situations when the litigation support services involve calculating estimated damages or other amounts that might be a receivable or payable as the result of litigation or other legal dispute.

*Assisting with Document Management and Retrieval*

36. The Task Force is planning to consider whether there is merit in developing application material to explain

that when providing litigation support services to an audit client that include assisting with document management and retrieval, the services are generally routine and mechanical in nature. Accordingly, the provisions in the administrative subsection of the Code might provide relevant guidance.

#### Acting as an Expert Witness

37. The Task Force is of the view that the nature of litigation support services that include acting as an expert witness varies significantly from one jurisdiction to another and that it would be difficult to develop examples of safeguards that might address the self-review or advocacy threats that might be created.
38. The Task Force noted that a firm's decision to accept a NAS to perform as an expert witness and the related threats is impacted by the jurisdiction in which the NAS is provided. Accordingly, instead of providing specific examples of safeguards, the Task Force has developed new application material to assist firms determine the level of threats created when those services are provided.
39. The Task Force believes that the exercise of professional judgment is needed, taking into account the reasonable and informed third party test to identify, evaluate and address threats created from accepting and providing litigation support services that include acting as an expert witness.

#### **Matter for IESBA Consideration**

8. Do IESBA members agree with the Task Force's proposed revisions in the litigation support services Subsection 608?

#### *Subsections 610 and 611 – Recruiting Services and Corporate Finance Services*

40. The Task Force agreed to make revisions to recruiting and corporate finance services subsections that are similar to those described in paragraph 28 above.

#### Recruiting Services

41. Paragraph 290.210 of the extant Code prohibits firms from providing recruiting services to an audit client with respect to a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, for audit clients that are PIEs.
42. The Task Force is of the view that this prohibition should extend to audit clients that are not PIEs (see paragraph R610.3) and has reflected this in its proposals.

#### Corporate Finance Services

43. The Task Force noted that the examples of safeguards in paragraph 290.213 and 290.214 of the extant Code are the same. In revising subsection 611, this duplication has been dropped.

#### **Matter for IESBA Consideration**

9. Do IESBA members agree with the Task Force's proposed revisions to the recruiting and corporate finance services Subsections 610 and 611?



## **D. Matters that Go Beyond the Safeguards Project Scope**

### *Safeguards in the NAS Section of the Code – Eliminating Duplication*

44. The Task Force observed that the examples of safeguards are essentially the same throughout the Code and are typically:
- Not including the individuals who provided the NAS as audit team members as a way of addressing self-review threats.
  - Having another professional accountant review the audit and NAS work as appropriate as a way of addressing self-review, self-interest and familiarity threats.
  - Engaging another firm to evaluate the results of the NAS as a way of addressing self-review, self-interest, familiarity and advocacy threats.
  - Having another firm re-perform the NAS to the extent necessary to enable that other firm to take responsibility for the service as a way of addressing self-review, self-interest, familiarity and advocacy threats.
45. An open issue for consideration is whether the NAS section of the Code could be redrafted in a manner that avoids duplicating the examples when they are the same. The Task Force has referred its observation to the Structure Task Force.

### *Consideration of the Role of TCWG*

46. The Safeguards project proposal initially called for the Task Force to consider whether communicating with TCWG may be a safeguard. During its previous deliberations, the IESBA concluded that auditor communication with TCWG, in itself, is not a safeguard, but rather could improve transparency and, in some cases, increase the effectiveness of the safeguards.
47. The IESBA acknowledged that in some circumstances effective communications between the auditor and TCWG may be useful in identifying, evaluating or addressing threats. Examples of these types of communications include:
- Informing TCWG of the NAS that is provided to an audit client;
  - Obtaining the concurrence of TCWG regarding the provision of a NAS to an audit client; or
  - Obtaining pre-approval from TCWG regarding the provision of a NAS to an audit client.
48. The IESBA noted that each option above, or a combination of all of the above options, might be appropriate, depending on the circumstances – auditors would need to apply professional judgment to determine which option would be appropriate. The IESBA also took the view that the nature and extent of auditor communication to TCWG is affected by the following factors:
- The size or nature of the NAS;
  - The expected duration of the NAS;
  - The size or nature of the NAS fee; and
  - Whether there are relevant laws and regulations pertaining to NAS that apply in the jurisdiction where the NAS would be provided to the audit client.
49. As noted above in Section C to this paper, the IESBA agreed to defer its discussions about enhancing

auditor communication with TCWG.

*Differential Requirements for PIEs and Non-PIEs*

50. The Explanatory Memorandum to Safeguards ED-1 signaled that the IESBA would continue to consider whether additional guidance is needed in the Code to explain the differences in the evaluation of whether a threat is at an acceptable level with respect to a PIE and a non-PIE. This has been done in conjunction with the Task Force's work on the NAS section of the Code. For example, the Task Force reviewed the facts and circumstances where the Code has different levels of permissibility for firms to accept or provide non-assurance services to an audit client which will have a material effect on the financial statements on which the firm will express an opinion.
51. However, some stakeholders have questioned whether the Code should contain differential requirements with respect to PIEs and non-PIEs. One of the Task Force members is of the view that there is benefit in the Board considering whether a separate project should be undertaken in relation to having differential requirements with respect to PIE and non-PIEs.

*Evolving Trends in Taxation Services*

52. The Task Force is of the view that a more detailed review of certain provisions within the taxation services subsection is needed in light of evolving trends.

## Appendix 1

### Safeguards – Overview of Project Objectives

1. The table below includes an overview of the specific matters set out in the project proposal for the Task Force's consideration. It also includes an update of the status of the Task Force's and IESBA's activities with respect to those matters. The scope of the project encompasses the matters that are addressed in:
  - Safeguards ED-1
    - The subsection entitled *Threats and Safeguards* (paragraphs 100.12 – 100.16) in Section 100
    - The subsection entitled *Threats and Safeguards* (paragraphs 200.3 – 200.15) in Section 200
  - Structure ED-1
    - The section entitled Application of the Conceptual Framework Approach to Independence (paragraphs 290.100 to 290.101)
  - This paper and **Agenda Item 3-D**.

Discussions of conforming amendments, including conforming changes to Section 291 of the extant Code is planned for the September 2016 IESBA meeting.
2. A summary of the Safeguards project objectives and the status of those objectives is included in the table below.

	Project Objective Per Project Proposal	Current Status
1.	The description, definition and role of a safeguard within the conceptual framework approach of the Code	<ul style="list-style-type: none"> <li>• Addressed in Safeguards ED-1 in Sections 100 and 200 of extant Code</li> <li>• Part C Task Force to consider conforming amendments as a result of Safeguards ED-1</li> <li>• Other conforming amendments to be developed, where applicable</li> </ul>
2.	Examples of safeguards <ul style="list-style-type: none"> <li>• Environmental and threat/situation specific</li> <li>• Mandatory or dependent on circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Addressed in Safeguards ED-1</li> <li>• Examples have been considered in the NAS section of the Code – see <b>Agenda Item 3-D</b>.</li> <li>• Part C Task Force to consider conforming amendments as a result of Safeguards ED-1</li> <li>• Other conforming amendments to be developed, where applicable</li> </ul>
3.	Process in assessing the relevance and effectiveness of a safeguard <ul style="list-style-type: none"> <li>• Identification and evaluation of a threat including impact of materiality and significance</li> </ul>	<ul style="list-style-type: none"> <li>• Addressed in Safeguards ED-1</li> <li>• Part C Task Force to consider conforming amendments as a result of Safeguards ED-1</li> <li>• Other conforming amendments to be developed, where applicable</li> <li>• Specific to the point of “direct correlation</li> </ul>

	Project Objective Per Project Proposal	Current Status
	<ul style="list-style-type: none"> <li>• Direct correlation between a safeguard and the threat it is intended to address</li> <li>• Effectiveness of safeguard</li> <li>• Meaning of an “acceptable level” to which safeguards must reduce threats</li> </ul>	between a safeguard and the threat it is intended to address” further work is needed as part of Phase 2
4.	Other considerations <ul style="list-style-type: none"> <li>• Other responses to reduce or eliminate threats</li> <li>• Role of those charged with governance (TCWG)</li> </ul>	<ul style="list-style-type: none"> <li>• Addressed in Safeguards ED-1 (i.e. the requirement to address threats)</li> <li>• With respect to consideration of the role of TCWG, during its March 2016 meeting the IESBA agreed to defer this matter.</li> </ul>
5.	Consultations with stakeholders at various stages of the process such as: Regulators, National standard setters, Forum of Firms, and IFAC Small and Medium Practices (SMP) Committee	Ongoing
6.	Identification of proposed changes to the NAS section of the Code regarding responses to threats, facilitating compliance and enforceability	See <b>Agenda Item 3-D</b>
7.	Make recommendations, if any, to the Board concerning broader scope of safeguards and other responses to threats, as appropriate, beyond NAS	See Section D to this paper.