

Meeting: IESBA Meeting
Meeting Location: New York, USA
Meeting Date: March 12-14, 2018

Agenda Item

5

Inducements

Objectives of Agenda Item

1. To consider the significant issues and comments raised by respondents to the September 2017 Exposure Draft, [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#) (Inducements ED) and related Task Force proposals (**Agenda Item 5-A**).
2. To provide initial input on the Task Force's suggested revisions to the proposed text in Sections 250,¹ 340,² 420³ and 906⁴ of the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the "restructured Code⁵) (**Agenda Item 5-B**).

The proposed text in **Agenda Item 5-B** is to be read in conjunction with the issues paper in **Agenda Item 5-A**. The Task Force welcomes any advanced comment and drafting suggestions via email at: geoffkwan@ethicsboard.org.

Task Force

3. Members:
 - Michael Ashley, Chair, IESBA Member
 - Robert Juenemann, IESBA Member

¹ Part 2 – Professional Accountants in Business, Section 250, *Inducements, Including Gifts and Hospitality*

² Part 3 – Professional Accountants in Public Practice, Section 340, *Inducements, Including Gifts and Hospitality*

³ Part 4A – Independence for Audit and Review Engagements, Section 420, *Gifts and Hospitality*

⁴ Part 4B – Independence for Assurance Engagements Other Than Audit and Review Engagements, Section 906, *Gifts and Hospitality*

⁵ At its December 2017 meeting, the IESBA approved the text of the restructured Code which includes:

- Structural and drafting enhancements developed under the Structure of the Code project;
- Revisions to the provisions pertaining to safeguards in the Code, developed under the Safeguards project;
- Revisions to clarify the applicability of the provisions in Part C of the extant Code to professional accountants in public practice, developed under the Applicability project; and
- New application material relating to professional skepticism and professional judgment, developed under the Professional Skepticism (short-term) project.

Subject to Public Interest Oversight Board (PIOB) approval, the restructured Code is expected to be released by early April 2018. Additional information about the restructured Code, including its effective date is available at:

<http://www.ethicsboard.org/restructured-code>

- Myriam Madden, IESBA Member
- Lisa Snyder, former IESBA Member

Activities since Last IESBA Meeting

4. The Task Force held a physical meeting and two teleconferences to develop the agenda materials for this meeting.
5. The Task Force Chair discussed with firm representatives at an ICAEW roundtable as well as firm board members at a teleconference on two issues relating to “trivial and inconsequential” inducements and the independence provisions. Their feedback has been considered by the Task Force in developing the agenda materials.
6. At its March 2018 IESBA Consultative Advisory Group (CAG) meeting, the Task Force will present a summary of the significant comments raised by respondents to the Inducements ED and obtain the CAG’s input on their related proposals. The Task Force Chair will update the Board on the main outcomes of the CAG discussions during its March 2018 meeting.

Materials Presented

For Discussion

- | | |
|-----------------|---|
| Agenda Item 5-A | Inducements – Issues and Task Force Proposals |
| Agenda Item 5-B | Inducements – Proposed Text (Mark-Up from ED) |

For Reference Only

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|---------------------------------|--|
| Agenda Item 5-C | Inducements – Proposed Text (Clean) |
| Supplement 1 to Agenda Item 5-A | Compilation of General Comments |
| Supplement 2 to Agenda Item 5-A | Compilation of Specific Responses to Questions in Inducements ED |

Action Requested

7. IESBA members are asked to:
 - (a) Consider the matters raised in **Agenda Item 5-A** and the Task Force’s suggested revisions to the proposed Inducements provisions in **Agenda Item 5-B**; and
 - (b) Provide input to the Task Force.

Timing and Forward Timeline

8. It is anticipated that the proposed text to Sections 250, 340, 420 and 906 will be approved by the IESBA in June 2018 with an effective date that aligns to that of the restructured Code. The effective date for the restructured Code is as follows:
 - Parts 1, 2 and 3 of the restructured Code will be effective as of June 15, 2019;

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- Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after June 15, 2019; and
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods of time will be effective for periods beginning on or after June 15, 2019; otherwise, it will be effective as of June 15, 2019.