

Supplement 1 to Agenda Item 5-A

Compilation of Comments – General Inducements ED

Note: This supplement has been prepared for information only. A comprehensive summary of the significant comments received as of February 21, 2018 on the Exposure Draft, [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#) (Inducements ED) and the Task Force’s related analysis are included in **Agenda Item 5-A**. All comment letters on the ED can be accessed [here](#).

Please consider the environment before printing this supplement.

#	Respondent	Detailed Comment ¹
1.	AE	We agree that there should be no distinction between the proposed provisions relating to inducements for PAPPs and those for PAIBs.
2.	APESB	<p>APESB is supportive of the IESBA’s project to strengthen the provisions in the Code intended to assist Professional Accountants in Business (PAIBs) in dealing with the offering and accepting of inducements and to align these provisions with the Professional Accountants in Public Practice (PAPPs) as this ensures consistency amongst all professional accountants in respect of their ethical obligations relating to inducements.</p> <p>APESB supports the clarification of the definition of inducement, and agree that intent is key to the application of the conceptual framework when dealing with inducements. We strongly agree with the requirement for professional accountants to understand and comply with laws and regulations that prohibit illegal inducements, such as those that relate to bribery and corruption.</p> <p>APESB is concerned with the introduction of the concept of ‘closeness of relationship’ between an accountant and the accountant’s immediate or close family members as a factor in determining whether there is improper intent in the offering or accepting of inducements by family members. We are of the view that ‘closeness of relationship’ is a subjective concept, and therefore assessing the ‘closeness’ between an accountant and an immediate or close family member may be subject to varying degrees of interpretation.</p>

¹ Where there is a blank space in the comment column, it means the respondent did not provide any response.

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		<p>We strongly believe offering or accepting of inducements by immediate or close family members should by itself raise a question as to the intent of the inducement, regardless of the degree of closeness between the accountant and the family members.</p> <p>We suggest that the IESBA give further consideration to this concept and refer, as appropriate, to the relevant provisions in Sections 521 and 921 Family and Personal Relationships of the restructured Code.</p> <p>Recommendations</p> <p>APESB's key recommendations for the IESBA's consideration are:</p> <ul style="list-style-type: none"> • Reconsider the concept of 'closeness of relationship' in respect of assessing the intent in inducements involving family members and align it with the Independence sections of the restructured Code to achieve overall consistency of the Code; • Amend applicable requirements to clarify that prohibition of inducements with improper intent extends to trivial and inconsequential inducements; • Amend relevant requirement paragraph to clarify that laws and regulations relating to illegal inducements may not be limited to those dealing with bribery and corruption; • Include professional competence and due care in the list of fundamental principles that might be impacted by threats arising from inducements; • transform the application material relating to compliance with the conceptual framework in respect of inducements without improper intent into a requirement paragraph; • Explicitly state the need for professional accountants not to offer or decline an inducement in the first instance to eliminate the relevant threats; • Consider the practical implications of disclosure of a donation and the impact it will have on the individual or organization who offered it, and make amendments as appropriate. <p>Further information on APESB's key recommendations, other comments and specific editorial suggestions are included in Appendix A for the IESBA's consideration.</p>
3.	AAT	
4.	ANAN	<p>The Association is of the opinion that the IESBA should endeavor to standardize the definitions of SMEs and SMPs because there are divers definitions adopted by different nations in describing the nature and size of SMEs/SMPs. In some countries, the definitions is in relation to the staff strength while in some other climes, the volume of turnover is adopted and still yet in</p>

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		some others they prefer to use volume of capital of the organization concerned. ANAN is of the opinion that there should be unification so that the definitions should be aligned together.
5.	BDO	Overall, we support the proposals included in the exposure draft and specifically the inclusion of accepting an inducement.
6.	CaSTRS	<p>CaSTRS supports this timely release to emphasize professional accountants' responsibilities to comply with all relevant laws and regulations relating to bribery and corruption when considering offering or receiving any inducements. More importantly we strongly support the prohibition on the offering and accepting of inducements by professional accountants made with intent to improperly influence the behavior of the recipients. We have seen first-hand where this type of situation can impede the objectivity of an auditor. On September 19, 2016 the SEC charged Ernst & Young partners with violating auditor independence rules with E&Y agreeing to pay \$9.3 million. The SEC sanction stated that two of the firm's audit partners compromised their independence (becoming "too cozy" with clients) and violated rules intended to ensure firms maintain their objectivity and impartiality during audits. This is but one example demonstrating the need for these revisions to the code pertaining to offering and accepting of inducements.</p> <p>CaSTRS recently participated in the PCAOB's International Institute on Audit Regulation with Audit Regulators attendees from around the world. The importance of auditor independence was a major theme of this meeting along with a discussion of the potential problems with inducements. These discussions underscore the need for the proposed revisions to the Code on Inducements.</p> <p>CaSTRS has long believed shareholders are the client and the prime user of financial reporting. As such investors rely on auditors to be fully objective in providing an opinion. In being a gate keeper, auditors must be independent in both substance and appearance. Audit firms and Audit Committees must continually assess their policies and procedures to ensure this independence.</p> <p>We hope our perspective as a long-term investor provides insight to the critical importance of guidelines on inducements, professional skepticism and judgement, and auditor independence. The following appendix provides responses to specific questions asked in this Exposure Draft.</p>
7.	CAANZ	We are pleased to provide our response to your Exposure Draft entitled "Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements" (the "ED"). As a professional body representing over 100,000 members we are supportive of IESBA's work to promote better ethical behaviour by professional accountants. Appendix A contains more information about Chartered Accountants Australia and New Zealand ("CA ANZ").

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		Overall we are supportive of the proposed changes included in the ED, we have provided our responses to the specific questions in the ED below.
8.	CCAB	This response represents the combined view of the CCAB bodies. We are supportive of what IESBA are aiming to achieve here and are not fundamentally opposed to the proposals. However we feel the guidance could be clearer.
9.	Crowe Horwath	<p>Crowe Horwath International is delighted to present a comment letter on the Exposure Draft Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements. Crowe Horwath International is a leading global network of audit and advisory firms, with members in some 129 countries.</p> <p>IESBA has addressed a matter that is important to the public interest. The subject of “inducements” has to be addressed and, in principle, IESBA is taking the right approach. We address the specific matters detailed in the IESBA’s request for comments in the appendix to this letter.</p>
10.	DTTL	<p>We appreciate the opportunity to provide comments on the exposure draft “<i>Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements</i>” (the “ED”) issued September 2017 by the International Ethics Standards Board for Accountants (“IESBA” or “Board”). We recognize and support the continuing efforts of the Board to promote ethical behavior by professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs) (collectively, PAs). We overall support the proposals in the ED and consider they meet the objective of strengthening the provisions to assist professional accountants better deal with the offering and accepting of inducements.</p> <p>We do consider that the proposals in the ED would benefit from some clarifications and explanations in places where the intent or meaning appears unclear, and have provided suggestions for the Board’s consideration below.</p> <p>1. <u>General comments</u></p> <p><i>Definition of inducement</i></p> <p>It is unclear in 250.4 A1/340.4 A1 whether the proposals are intending to establish that every gift, employment opportunity, donation etc. is an inducement. We consider it is clearer to start from the basis that an object or action is not an inducement unless it is offered with the intention of influencing a person’s behavior, for example:</p> <p><i>250.4 A1 An inducement is an object, situation, or action that is used as a means offered with the intent to influence another individual’s behavior, but not necessarily with the intent to improperly influence that individual’s behavior. Inducements can range from minor acts of hospitality between business colleagues, to acts that result in non-compliance with laws and regulations. An inducement Many different objects or actions can be inducements when</i></p>

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		<p style="text-align: center;"><u>offered with the intention to influence</u> behavior can take many different forms, for example:</p> <p>This would resolve any doubt as to how the subsequent provisions are applied, i.e. it is an inducement because there is intent to influence, so the PA must then determine whether the actual or perceived intent was to improperly influence behavior or not. For example, without intention to influence, an offer of employment is merely a response to a business need, not an inducement.</p> <p><i>Improper influence</i></p> <p>The offering or receipt of inducements that are prohibited by laws and regulations are generally clear to understand, however there is no guidance on what otherwise constitutes an effort to “improperly” influence an individual’s behavior. It is a key concept in the provisions however is very subjective.</p>
11.	EY	<p>We are pleased to comment on the Exposure Draft Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements (the “ED”). We fully support the Board’s efforts to promote ethical behavior by professional accountants, whether in business or public practice.</p> <p>With the proposed changes, we believe the Board places an appropriate level of focus on the need to consider and apply the conceptual framework with regard to offering and accepting inducements, and therefore achieves its objective of assisting professional accountants in business, as well as professional accountants in public practice, in understanding how to deal with offering and accepting inducements. Since the threats to fundamental principles are the same for professional accountants in business and in public practice, we agree that the provisions should be aligned. While we believe that the proposed changes will be of significant benefit, we see a need for additional clarification around the meaning of inducements and when an assessment of “intent” is required.</p>
12.	EFAA	<p>General Observations</p> <p><i>Integrity</i></p> <p>The requirements proposed are the logical consequence of applying the conceptual framework to comply with the fundamental principle of integrity. When describing an inducement, we suggest the Code should stress that, even if professional behaviour is not breached when offering an inducement that is not contrary to law or regulation, the principle of integrity may be breached due to the intent to influence.</p> <p><i>Principles-Based Code</i></p> <p>The proposals are more rules-based than the current threats and safeguards (principles-based) approach prevalent in other parts of the Code. We believe that while the concept of ‘improper intent’ is generally well understood on an intuitive level, it is</p>

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		<p>less suitable to make such a distinction in a global Code. Cultural differences play a role and intentions by their very nature can only be known to the perpetrator.</p> <p>We are concerned that the level of detail in the revised inducement provisions, together with zealous expectations on the part of regulators, could lead to overly onerous documentation – in particular for SMPs. We believe a simpler approach should be adopted, in place of extending the Code as has been proposed.</p> <p><i>New Concepts</i></p> <p>The ED could be interpreted as introducing a new concept, that of an intent test that sits alongside the existing concept of the conceptual framework (threats and safeguards). As explained below we question the merits of this test and believe it will add complexity.</p> <p>When it comes to the reasonable and informed third party (RITP) test, the ED seems to introduce a new concept that of a distinction between objectivity in mind and objectivity in appearance (see paragraphs 22 and 23 of the Explanatory Memorandum). We question whether this approach towards objectivity can or should be applied to PAIBs since objectivity of appearance is not an issue for them in the way it is for PAPPs.</p> <p><i>Implementation</i></p> <p>So as to assist practitioners with efficiently implementing the Code and managing the number of changes, we suggest the Board consider using the same effective date as the rest of the restructured Code.</p> <p><i>EFAA Research</i></p> <p>The EFAA survey “Accounting and Ethics: Pressure Experienced by the Professional Accountant” revealed that accountants, auditors and tax advisors often experience significant pressure to, act unethically. Given inducements and pressure are interconnected this research may be relevant to this IESBA project.</p>
13.	FRC	<p>The FRC supports the Board's objective to strengthen the provisions in Part C of the Code to assist professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs) in better dealing with the offering and accepting of inducements while complying with the Code's fundamental principles. From an ethical perspective, the threats to compliance with the fundamental principles that arise from the offering or accepting of inducements are essentially the same for all professional accountants and, accordingly, we agree that the enhancements to the provisions in Part C should also be applicable to professional accountants in public practice (PAPPs) .</p> <p>We agree that:</p>

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		<ul style="list-style-type: none"> • there are no safeguards that can reduce threats created by inducements with improper intent (including those that are trivial and inconsequential) to an acceptable level; and • threats should be evaluated "through the reasonable and informed third party lens". <p>However, we believe the requirements and application material could be enhanced and clarified, including:</p> <ul style="list-style-type: none"> • Introducing a specific requirement in relation to circumstances where inducements are made with no intent to improperly influence behaviour (see response to Q1). • Extending the requirements in Sections 420 and 906 to cover offering gifts and hospitality; and for the considerations in these Sections to also be made through the reasonable and informed third party lens (see response to Q3). <p>8th Floor, 125 London Wall, London EC2Y 5AS Tel: +44 (0)20 7492 2300 Fax: +44 (0)20 7492 2301 www.frc.org.uk</p> <p>The Financial Reporting Council Limited is a company limited by guarantee. Registered in England number 2486368. Registered office: as above.</p> <p>We explain these, and other points, more fully below.</p>
14.	FSR	<p>The Ethics Committee of FSR - danske revisorer is pleased to comment on IESBA Exposure Draft Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements Proposed Revisions Pertaining to Safeguards in the Code — Phase 2 and related conforming amendments.</p> <p>We refer to the comments dated 8. December from Accountancy Europe</p>
15.	GTIL	
16.	HKICPA	<p>We support the proposals in the Exposure Draft. We consider that the proposed approach for professional accountants to deal with inducements is appropriate. We agree that the proposed provisions relating to inducements for professional accountants in public practice should be aligned with the enhanced provisions for professional accountants in business and that the proposals in Section 340 achieve this objective.</p> <p>We also agree with the restructuring changes and proposed conforming amendments to the independence provisions for audit and other assurance engagements. However, as the proposed independence provisions only cover the acceptance of gifts and hospitality from audit and assurance clients, we recommend that the IESBA considers a project in the future to achieve further alignment of the independence provisions with the proposed provisions and concepts in Section 340. In particular, the</p>

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		<p>project should cover inducements other than gifts and hospitality, and the acceptance and offering of inducements by immediate or close family members.</p> <p>Other suggested improvements that would clarify the proposed content in the Code are included in the Appendix of this letter.</p>
17.	IDW	<p><i>Adherence to the Principles of Integrity and Objectivity</i></p> <p>The IDW agrees that in adhering to the principles of integrity and objectivity, professional accountants should neither accept nor offer inducements that would improperly influence another individual’s behavior. However, as we discuss below, we question the practical impact of the use of the term “intent” and the specific inclusion of trivial and inconsequential matters in this context.</p> <p>From a theoretical viewpoint, we also sympathize with the notion of no tolerance in this area, since this conveys the message that professional accountants are not corruptible. However, we believe that an international Code needs to adopt an approach that more clearly recognizes jurisdictional social norms, including what is generally accepted as constituting polite behavior in regard to offers of hospitality. Without a more common sense approach, uncertainties could result in excessive documentation should professional accountants feel driven to record every possible scenario in order to evidence their compliance to regulators. Furthermore, cross-border application may be highly problematical.</p> <p>We also agree that, even when there is no apparent intent to improperly influence behavior, professional accountants who perform audit, review and other assurance engagements should neither accept nor offer gifts and hospitality beyond those that are trivial and inconsequential, when – taking account of the individual circumstances – these would reasonably be expected to give rise to perceptions of impaired integrity or objectivity.</p> <p>We comment below on the need for further clarification of the factors a reasonable and informed third party ought to weigh up in this context.</p> <p><i>Threats and Safeguards Approach vs. Rules-Based Requirements</i></p> <p>In our view, the current principles-based threats and safeguards approach is sufficiently clear as far as professional accountants are concerned. We are not convinced that the proposed move to a far more rules-based approach is either needed or appropriate, other than to indicate the intentions of the IESBA Code to the public at large.</p> <p>When a professional accountant in practice has either accepted or offered an inducement, it is unlikely to be because of any real misunderstanding as to the application of the extant Code. Indeed, a more rules-based approach carries the danger of</p>

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		<p>being followed to the letter, such that those seeking to improperly influence the behavior of another individual will seek ways around the rules.</p> <p>We would support retention of the threats and safeguards approach together with some revision of terminology accompanied by additional guidance as to the possible nature of actions that might constitute inducements. This would clarify that inducements are not necessarily limited to gifts and hospitality offered to the individual whose behavior is intended to be influenced.</p> <p><i>Proposed Criteria “Intent” and “Trivial and Inconsequential”</i></p> <p>As explained above, we question whether a reason to believe mere “intent” on the part of the individual offering the inducement is the right criterion (R340.7 and R340.8).</p> <p>A professional accountant cannot know with certainty the actual intent of any other individual, unless explicitly informed thereof. Also, due to their covert nature, inducements may often be subtle rather than explicit. Furthermore, intent may be misplaced, such that it does not have the desired impact on the other individual’s behavior. Indeed, a misplaced attempt could have the opposite effect than intended, because it would alert the professional accountant to a lack of integrity on the part of the inducing party.</p> <p>The requirement regarding immediate or close family members (R340.13) is problematical in terms of its practical application. Given the threshold of “has reason to believe” the obligation is placed on the professional accountant, and could be based on the presumption of a degree of access to relevant facts and circumstances, that may not actually be available. Our concern is that with the benefit of hindsight, a professional accountant may be placed under pressure to demonstrate that he or she had no reason to believe there was intent.</p> <p>As also explained above, whilst we sympathize from a theoretical viewpoint with a no tolerance stance, we have difficulties in understanding how an inducement that is trivial and inconsequential would even be perceived as realistically having the intended influence on the recipient’s behavior. This seems to be a somewhat far-fetched perception that even a reasonable and informed third party ought to reject in those jurisdictions that take a common sense rather than a no tolerance stance.</p> <p><i>Reasonable and Informed Third Party</i></p> <p>On the basis of the issues discussed above, we believe that – should the IESBA retain the proposals – clarification within the Code would be useful in respect of the so-called reasonable and informed third party test. Specifically such a “test” should take</p>

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		<p>into account the offering party’s intent, the likely impact of the inducement on the recipient and the relative magnitude of the inducement. Unless there are contrary indications, professional accountants ought to be assumed to possess sufficient integrity as not to be influenced by any inducement that is trivial and inconsequential. The timing of the offer of an inducement ought to be a further factor (i.e., was it a token of appreciation or an inducement to repeat or enhance (improper aspects of) past behavior), and the general level of incidence of inducements in the specific business and cultural environment is also relevant (if trivial and inconsequential inducements are available to all, they lack any real influential power).</p> <p><i>Professional Education and Continuing Professional Development</i></p> <p>We agree that, in facing a possible inducement scenario, a professional accountant should have a full understanding of any inducements prohibited by relevant laws and regulations in the jurisdiction in which that accountant is working in a professional capacity (R340.5). This requirement will, of course, only apply to jurisdictions that have such laws and regulations. Therefore, some guidance is needed in other jurisdictions if professional accountants are to fully understand so as to be able to comply with the underlying aims of the Code in this context.</p> <p>This is also a matter for professional education and continuing professional development and so should also be specifically addressed by the IAESB.</p> <p>Currently initial education requirements appear to deal with the need for an appreciation of relevant laws and regulations, as IES 2 specifies an intermediate level of proficiency in relation to business laws and regulations applicable to the environment in which professional accountants operate and IES 4 an intermediate level of proficiency in relation to the interrelationship between ethics and laws, regulations and the public interest. IES 7 and IES 8 are not specific as to the scope of continuing professional development in relation to this area.</p> <p>We encourage the IESBA to coordinate further with IAESB in this regard.</p> <p><i>Small and Medium-Sized Practices</i></p> <p>Professional accountants in smaller practices may find some aspects of the proposals extremely challenging, particularly due to a limited availability of safeguards compared to a larger firm environment. Also, without additional clarification of the so called reasonable and informed third party test as discussed above, perceptions of fictional third parties could, over time, come to be based on expectations prevalent in no-tolerance jurisdiction. This could severely curtail many (harmless) interactions of a social nature in smaller communities in particular. We draw the IESBA’s attention to the fact that the safeguards listed in</p>

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		340.11A3 are, on the whole, not practicable in a smaller firm environment and not at all for sole practitioners. A common sense application of the extant threats and safeguards approach would seem to us to be preferable in terms of practicalities.
18.	IFAC SMPC	<p>The SMPC has followed the Inducements project since its inception and has provided comment letters for the Board and Task Force’s consideration over time.</p> <p>Overall, it appears that the proposals in this ED are far more rules-based than the current threats and safeguards (principles-based) approach in other parts of the Code of Ethics for Professional Accountants (the Code). We believe that while the concept of ‘improper intent’ is generally well understood on an intuitive level, it is less suitable to make such a distinction in a global Code. Cultural differences do have a role and intentions by their nature can never be fully known to anyone other than the intender (unless they have been openly expressed).</p> <p>We remain concerned about the level of detail in the revised inducement provisions, which in combination with possible expectations on the part of regulators, could lead to overly onerous documentation – in particular for SMPs. In our opinion, the extant principles based approach in the Code is not broken and could be retained with further clarification on what incentives for inducements might look like (i.e. they could be much broader than just gifts and hospitality). .</p> <p>We recognize that the IEBSA will reflect on the effective date for the proposals in the context of its deliberations on the effective date for the restructured code. To assist practitioners with efficiently implementing the Code and managing the number of changes, we support the consideration of exploring the feasibility of the same effective date as the rest of the restructured Code.</p>
19.	IRBA	<p>A. General Comments</p> <p>1.1. The IRBA notes the importance of the IESBA project to strengthen the provisions and facilitate better dealings with the offering and receiving of inducements.</p> <p>1.2. As a regulator of registered auditors with a statutory objective to protect the public, we are concerned with the enforceability of the Code. We support initiatives that create an enabling environment for registered auditors to apply the IRBA Code and those that promote ease in understanding the IRBA Code.</p> <p>1.3. While the exposure draft on the Code has been drafted in the context of professional accountants, our responses are provided in the context of registered auditors who perform audits and reviews and provide other assurance services.</p> <p>1.4. Recent events in South Africa have made this exposure draft very relevant and topical. Local developments such as the close relationship between auditors and their clients have featured prominently in our media. This has heightened the interest in the nature of the relationship between auditors and their clients.</p>

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		<p>(https://www.businesslive.co.za/bd/companies/financial-services/2017-09-15-kpmg-admits-going-to-the-gupta-wedding-was-a-bad-idea/).</p> <p>1.5. While we appreciate the attempts to create a filter in determining if inducements are proper or improper, the proposed amendments are complicated, confusing and highly subjective. We encourage a simpler and more robust mechanism to address inducements.</p> <p>1.6. We are of the view that the proposed amendments will confuse registered auditors by trying to differentiate between acceptable inducements and improper ones rather than between an inducement and a non-inducement. The explanatory memo notes that there were reservations expressed about using the term inducements because of its negative connotations. We share those reservations because in the context of professional services the term generally refers to an undesirable practice but the exposure draft uses the term to collectively refer to both acceptable and improper practices.</p> <p>1.7. The proposed description of an inducement does not resolve the confusion as it does not explain acceptable inducements.</p> <p>1.8. We agree with the decision of the IESBA to adopt a principle-based strategy to the proposed amendments relating to inducements. A rules-based approach would be complicated. We note that in the absence of a timely response from the IESBA to the real market need, it is not unlikely that regulators and standard setters would resort to local rules that would be akin to prohibitions, and a variety of practices could evolve around the world.</p> <p>1.9. We appreciate that the proposed amendments begin to change the mind-set around inducements by not only defining them as monetary objects but also as situations and actions.</p>
20.	ICAI	
21.	ICAP	
22.	IMA	<p>The Committee on Ethics (CoE) of IMA® (Institute of Management Accountants) is pleased to submit its views to the International Ethics Standards Board for Accountants (IESBA) on its Exposure Draft (ED), Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements.</p> <p>IMA is a global association representing more than 90,000 accountants and financial professionals in business. Our members work inside organizations of various sizes, industries, and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations. Our comments are limited to those dealing with Professional Accountants in Business (PAIB).</p> <p>The CoE is IMA's technical committee on ethics-related matters. It is responsible for encouraging IMA members, their organizations, and other individuals to adopt, promote, and execute superior business practices in management accounting</p>

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		<p>and finance consistent with IMA’s mission by advocating the highest ethical principles. It maintains and promotes IMA’s principal business and ethics guidance, the IMA Statement of Ethical Professional Practice, and oversees the administration of IMA initiatives designed to ensure compliance with the Statement. It also reviews and responds to research studies, statements, pronouncements, proposals, and other documents issued by domestic and international agencies and organizations.</p> <p>We wholeheartedly uphold IESBA’s overarching objective to serve the public interest by setting high- quality ethics standards for professional accountants. We agree that the Code should provide ethical requirements and guidance to help meet its responsibilities and we commend the Board for addressing the critical issue of corruption in the form of inducements. However, we have one point for you to consider. The new guidance may cause confusion with conflicting provisions of the U.S. Foreign Corrupt Practices Act (FCPA) which has been in force since 1977 and understood by many companies having some nexus in the United States but with headquarters and operations in other countries around the globe. We suggest the Board carefully analyze and compare the contents of the ED with the provisions and many enforcement actions of the FCPA and clearly explain any conflicts.</p>
23.	IBRACON	
24.	Jean Thiomas Giraud	
25.	Ji Yuan	
26.	KICPA	
27.	KMPG	<ol style="list-style-type: none"> 1. While we acknowledge intent exists as a concept in the extant Code as a consideration in evaluating the existence and significance of a threat created by an offer of an inducement, the elevation of this concept in the proposed guidance may be difficult to operationalize as it requires an individual to objectively assess the intent of another. Additional context and guidance would be helpful as to how a professional accountant (PA) or a reasonable and informed third party (RITP) can objectively assess the intent of another. 2. Clarify that paragraph R250.12 regarding family members is a knowledge standard applicable only when a PA becomes aware of an inducement being offered, and the intent is not to impose a monitoring duty on the part of the PA. 3. Provide context and additional guidance on the meaning of “improperly influence.” It would be helpful to clarify the intended scope and provide examples of target behaviors.

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28.	MIA	
29.	NASBA	
30.	NYSSCPA	<p>The issue of the offering and accepting of inducements is an important one and we agree that it must continually be addressed and discussed. However, in our view, the IESBA’s approach is unnecessarily complicated. Certainly, activities that are illegal cannot be condoned or accepted; there is little else that needs to be said in that regard. It is an obligation of firms and companies to put in place procedures that ensure that the applicable laws are obeyed.</p>
31.	NZAuASB	<p>The NZAuASB is supportive of the proposals to enhance the provisions in the Code pertaining to the offering and accepting of inducements.</p> <p>The NZAuASB agrees with the IESBA that the professional accountant in public practice (PAPP) may encounter similar circumstances to professional accountants in business (PAIB) involving inducements that might create threats to compliance with the fundamental principles. Accordingly, the NZAuASB supports alignment of the provisions for PAPPs with those of PAIBs.</p> <p>In addition, the NZAuASB fully supports the concept that accepting or offering any inducement with improper intent would create a threat to the fundamental principles that cannot be overcome. The NZAuASB, therefore, agrees that there should be no exceptions for inducements offered or accepted with improper intent, regardless of whether they are considered to be trivial or inconsequential.</p> <p>As noted in our response to question 3, the NZAuASB does have concerns that the independence provisions in Parts 4A and 4B could be better aligned with the provisions in Section 340.</p>
32.	PWC	<p>Introduction</p> <p>We1 appreciate and thank you for the opportunity to comment on the IESBA’s Exposure Draft (ED) “Proposed revisions to the Code pertaining to the Offering and Accepting of Inducements”.</p> <p>Principal comments</p> <p>We support the Board’s efforts to address the topic of inducements, gifts and hospitality, which businesses, firms and individual professional accountants encounter during the course of their professional activities. As such, the development of appropriate and relevant requirements and related guidance within the Code will be useful. However, we have concerns that certain aspects of the proposals are not proportionate to the ethical issue the Board is seeking to address when the nature and frequency of an “object, situation or action” (referred to below as an “act”) are clearly occasional, sensible and reasonable in</p>

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		the circumstances. We believe that to subject all “acts” to the same detailed evaluation and, indirectly, documentation standards that are suggested in the ED would result in compliance considerations that are disproportionate and unnecessary in many situations.
33.	NBA	The NBA endorses the comments made by Accountancy Europe (December 8th 2017) and doesn’t have any additional comments.
34.	RSM	We support these proposals and the objective to strengthen the Code to assist professional accountants in better dealing with the offering and accepting of inducements while complying with the fundamental principles. These improvements to the Code are welcome to make sure that it is fit for purpose for professional accountants in any environment and that it can be applied to a consistently high standard.
35.	SCM	
36.	ACCA	<p>We welcome the opportunity to comment on the proposals to establish a comprehensive framework that covers all forms of inducements. It is important that the Code promotes ethical behaviour by Professional Accountants in Business (PAIBs) and Professional Accountants in Public Practice (PAPPs) through greater consistency, understandability and usability. We are therefore supportive of the IESBA’s aim to strengthen the provisions concerning the offering and accepting of inducements, and to make related conforming amendments to the independence provisions relating to gifts and hospitality.</p> <p>We welcome the inclusion of the offering of inducements within the provisions, and a broader definition of inducements which moves away from a focus on ‘gifts and hospitality’. We also welcome the distinction between inducements prohibited by law and regulations and those that are not, and the inclusion of the professional accountant’s responsibilities regarding third parties. We are further encouraged by the acknowledgement, in the explanatory memorandum to the exposure draft, that ‘cultures vary across jurisdictions and influence what constitutes an acceptable inducement’,¹ although we believe that the significance of this should be addressed more clearly within the proposed changes to the Code.</p> <p>We note that the proposals seek to address the prevalence of bribery and corruption. However, while admirable, this aim is perhaps naive, as the Code is not the place to address someone’s dishonesty. Amended guidance to support the conceptual framework will only assist those who are willing to comply with the Code.</p> <p>We support strengthened provisions in the Code for inducements, provided that they add clarity and so enhance public trust in the profession, which in turn upholds the public interest. In this response, we have highlighted some aspects of the proposed changes in the exposure draft which appear to suggest a loss of focus and could lead to confusion. For example, in paragraph</p>

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		<p>250.10 A1 (and 340.10 A1) an ‘inducement’ which does not intend to improperly influence, and is trivial and inconsequential, does not meet the definition of an inducement. In responding to this consultation, we have focused on the proposed definition as set out in paragraph 250.4 A1, ie ‘an object, situation, or action that is used as a means to influence another individual’s behavior, but not necessarily with the intent to improperly influence that individual’s behavior’ [emphasis added].</p> <p>Where appropriate, we have highlighted omissions and suggested further improvements to the Code pertaining to the offering and acceptance of inducements. An opportunity also exists to prohibit all inducements offered or accepted in the context of an audit or assurance engagement.</p> <p>Overall, the area of inducements is complicated and there is always a risk that the fundamental principles may be undermined by more prescriptive requirements within the Code, as people lose sight of those underlying principles and how to recognise and address threats. We believe that a lack of clarity is inevitable as long as the IESBA tries to achieve too much.</p>
37.	CPA Canada	<p>Generally, as provided below, we are supportive of the proposals as presented in the Exposure Draft and appreciate the breadth of inducements considered and the emphasis on potential applicability of relevant laws and regulations. However, through our consultation efforts, we did receive some consistent feedback regarding concerns that we have also presented below for IESBA’s information. Overall in considering the proposals, we recognized the importance of appropriate use of professional judgment in relation to inducements, the specificity of each situation and acknowledgment of the grey area that arguably exists between establishing or maintaining positive business or working relationships and the potential for improper influence.</p>
38.	ICAGH	<p>In addition to the specific comments, our general comments are as below:</p> <p>We recommend that the ED becomes applicable to Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs). However, due to the nature of their sizes, the IESBA should develop mechanisms to monitor their activities and behaviors. These can be done through regulators and audit oversight bodies.</p> <p>In developing nations and elsewhere, it would be a challenge in implementing the guidance. This stems from the fact that people tend to have ‘hidden ’ behaviors that are not easily known. In addition, people build relationships that transcend professionalism hence determining intent to induce behavior through gifts and hospitality to improperly influence behavior is difficult.</p> <p>We hope the IESBA finds this letter helpful in further developing its consultations to issue a standard on the proposed revisions to the code pertaining to the offering and accepting of inducements by professional accountants both in business and in public practice.</p>

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		<p>In turn, we are committed to helping the IESBA in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.</p>
39.	ICAEW	<p>1. We are generally supportive of what IESBA are aiming to achieve here and are not fundamentally opposed to the proposals. However we have some concerns</p> <p>2. Our interpretation of the decision making process is firstly to ensure compliance with laws and regulation, then secondly to establish if there is intent to improperly influence. If there is such intent then an inducement should be refused, if not then a professional accountant (PA) would then consider safeguards. If this is the intention behind the proposed guidance then that is not entirely clear from the way it is currently written. We would like to see a greater level of clarity and possibly a step by step flowchart as a supplement.</p> <p>3. It could be made clearer that the definition of inducement includes non-financial inducements. For example an offer of employment, or offer to reduce fees, or statement that career advancement will be more likely, could all be examples of inducements but the proposed guidance focusses on gifts. Examples of safeguards given in 250.11 (and 340.11) are not as helpful as they could be and are very much geared towards gifts and hospitality whereas. Intent may sometimes be less than overt and the proposals would benefit from some examples to reflect this.</p> <p>4. Examples of specific safeguards designed to address scenarios where the PA comes across a potential inducement of which they were previously unaware would be useful. For example, a professional accountant may have little knowledge or influence over what a connected party chooses to offer or accept.</p> <p>5. We believe that cultural differences could merit inclusion in the guidance itself, if only to reinforce the comments made in para 29 of the consultation document that the ethical considerations should be the same. That said culture is significant to a number of concepts in the proposals, not least gifts and hospitality but also connected party.</p> <p>6. The proposals would benefit from better linking to the fundamental principles and clearer structuring with regards to the accountant as potential inducer and the accountant as potential inducee.</p> <p>7. Given that the proposed section for practitioners (s340) addresses all inducements, it is unclear that the additional section 420 requirement for auditors is really necessary.</p>
40.	ICAN	<p>Paragraph 47. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:</p>

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		<ul style="list-style-type: none"> • Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) - The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs. <p>RESPONSE</p> <p>The ethical code should be applicable to the Professional Accountants irrespective of whether the accountant is an SMP or services SMEs.</p> <ul style="list-style-type: none"> • Regulators and Audit Oversight Bodies -The IESBA invites comments on the proposals rom an enforcement perspective from members of the regulatory and audit oversight communities . <p>RESPONSE</p> <p>Enforcement of this Code may not be effective in developing nations due to manpower inadequacy.</p> <ul style="list-style-type: none"> • Developing Nations - Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment. <p>RESPONSE</p> <p>Enforcement of this Code may not be effective due to poor data base and weak institutional framework.</p> <ul style="list-style-type: none"> • Translations - Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.
41.	ICAS	<p>Key Points</p> <p>We are generally supportive of the general direction of the IESBA proposals outlined in the above Exposure Draft.</p> <p>We believe the explanation of the umbrella term of “inducements” and related examples, provided in paragraph 250.4 A1, would be helpful to users of the Code. We also welcome the “binary” approach adopted by IESBA to help address the dilemmas which could be encountered with inducements.</p> <p>However, we note the following points which we believe IESBA should seek to address:</p> <ol style="list-style-type: none"> 1. Definition of “improper influence” <p>We note that there is no distinction between “improper influence” and “influence”. In practical application, we believe that there may be difficulty in determining at what point “influence” crosses the line to being “improper influence”. We recognise that this</p>

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		<p>is judgemental, but it is an important judgement to make. There is therefore a need to explicitly acknowledge this judgement, and not be silent on it.</p> <p>2. Offer or acceptance of an inducement that is “trivial and inconsequential” if it is made with improper intent</p> <p>We agree with the IESBA’s view, stated in paragraph 24 of the Explanatory Memorandum, that there should be no exceptions when it is believed that an inducement is made with improper intent, however we note that the proposed new paragraphs R250.7 and R250.8 do not explicitly state that even inducements which are “trivial and inconsequential” are not permitted if there is improper intent. For increased transparency, we believe that it would be beneficial to the users of the Code for these paragraphs to make an explicit statement in this regard.</p> <p>3. Inducements with no intent to improperly influence behaviour – addressing a threat by simply not offering or accepting an inducement</p> <p>For increased transparency, we believe that it would be beneficial to the users of the Code for an explicit statement to be made within paragraph 250.11 A3 to state that threats can also be addressed if the professional accountant simply does not offer or accept the inducement.</p> <p>4. Format of consultation</p> <p>We note that the format of IESBA’s consultations can be verbose. In order to make the consultations easier for interested parties to understand the key matters, the preamble could be more succinct.</p>
42.	JICPA	
43.	SAICA	<p>The term inducements is defined as “a thing that persuades or leads to someone to do something”. Synonyms for the terms “inducements” includes temptation, incitement, bribe, reward. An antonym is “deterrent”. Therefore although the use of the word inducement is stated by the IESBA as influencing another person in a manner that is not unethical it does seem that the term inducement seems to have a negative connotation.</p> <p>The section also refers to reasonable and informed party test. The reasonable and informed third party test refers to a person with similar experience and knowledge. When a professional accountant accepts an inducement and it becomes public, the professional accountant will not necessarily be evaluated by a reasonable and informed third party but by the general public.</p> <p>The issue of cultural norms is also in our view down-played but it will be a more significant consideration than anticipated.</p>

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		<p>SAICA would also like to request a definition of “trivial and inconsequential”. The term is used but there is no definition of what would be seen as trivial and inconsequential.</p> <p>Section 250.15 A3 refers to the fact that if a professional accountant is offered an inducement by their employing organization relating to financial interests, compensation and incentives linked to performance, Section 240 is also relevant. We would like to raise the fact that share- based schemes often form part of any PAIB’s remuneration packages and would not be considered an inducement in South Africa, consider providing more context that an inducement would occur where the scheme is not common practice, of if the scheme is overly generous when compared to the market or industry norms.</p>
44.	VRC	<p>The proposal addresses background to, and an explanation of, the proposed revisions to the extant Code regarding the offering and accepting of inducements by professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs); and related conforming amendments to the independence provisions relating to gifts and hospitality.</p> <p>The Vereniging van Registercontrollers (VRC) has reviewed the proposed revisions and provides its support without further comments.</p>
45.	GAO	<p>This letter provides GAO’s response to the exposure draft, Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements. GAO promulgates generally accepted government auditing standards (GAGAS) in the United States. GAGAS provides a framework for conducting high-quality audits of government awards with competence, integrity, objectivity, and independence. Our comments reflect the importance we place on reinforcing the values promoted in both the Code of Ethics for Professional Accountants (the Code) and GAGAS.</p> <p>We support the International Ethics Standards Board for Accountants’ (IESBA) efforts to strengthen the provisions in the Code related to inducements to assist accountants in better dealing with the offering and accepting of inducements while complying with the fundamental principles. In particular, as detailed in our response to question 1, we support IESBA’s proposed general approach for dealing inducements, but we believe that the proposed standard could benefit from additional application guidance.</p>
46.	WPK	<p>The WPK is highly committed to the Code and we appreciate and support the efforts of the IESBA to further increase the quality and usability of the Code.</p> <p>We generally support the requirement for a professional accountant to understand and comply with relevant laws and regulations that relate to bribery and corruption when offering or being offered an inducement. IESBA’s intention to respond in the Code to continuing concerns about the prevalence of bribery and corruption is, therefore, commendable. However the proposed amendments to obtain an understanding of relevant laws and regulation (R 250.5, R 340.5) are rather scarce and already covered by the fundamental principle of professional behaviour.</p>

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		<p>Furthermore, we fear that with the 'intent test' a new concept is introduced that adds undue complexity and brings about less clarity to the Code. We agree that a person acting with integrity, and thus complying with the fundamental principles of the Code, should neither accept nor offer an inducement with the intent to influence another individual's behavior improperly.</p> <p>Furthermore, we also agree that a professional accountant should neither accept nor offer an inducement that a reasonable and informed party would conclude to impair the integrity and/or objectivity of the accountant. In this respect, we consider the current principles-based threats and safeguards approach as sufficiently clear. The intent test, however, appears to require a new layer of the reasonable third party test (RTPT) as now the main purpose of the RTPT appears to assess whether an intend is given or appears to be given instead of focusing on whether the integrity and/or objectivity of the professional accountant is impaired.</p> <p>The 'intent test' is even more complicated and brings about practical problems when applied in relation to immediate and close family members. In this respect, the assessment of existing or perceived intent could be based on the presumption of an access to facts and circumstances that in their totality may actually not be available to the professional accountant.</p> <p>In substance, we consider the added value of the proposed revisions to the Code as rather limited. We refer to our further remarks below.</p>