

Proposed Inducements provisions for APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards)

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT **03/18**
ISSUED: July 2018

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APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA), published by the International Federation of Accountants (IFAC) in April 2018 and as amended, and is used with permission of IFAC. *International Code of Ethics for Professional Accountants (including International Independence Standards)* © April 2018 by the International Federation of Accountants. Contact Permissions@ifac.org for permission to reproduce, store or transmit, or to make other similar uses of this document.

Commenting on this Exposure Draft

This Exposure Draft, Proposed Inducements provisions for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. Comments are requested by **10 August 2018**.

Comments should be addressed to:

The Chairman
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne Victoria 3000
Australia

APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

Respondents are asked to submit their comments electronically through the APESB website, using the link <http://www.apesb.org.au/apesb-exposure-drafts-open-for-comment>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **10 August 2018** by contacting:

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Reasons for issuing Exposure Draft 03/18

APESB proposes to revise the Inducements provisions in the existing APES 110 *Code of Ethics for Professional Accountants* (“the Code”) issued in December 2010 and including all amending standards up to April 2018. The proposed revisions have been developed to incorporate changes resulting from the issue by the International Ethics Standards Board for Accountants (IESBA) of the restructured Inducements provisions for inclusion in the *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The revised Inducements provisions will be incorporated into the new restructured Code APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (“the restructured Code”). The proposed amendments to restructure the Code are outlined in Exposure Draft 02/18 *Proposed Standard: APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (“ED 02/18”).

APESB has drafted Exposure Draft 03/18 in a form that illustrates how the proposed revised Inducements provisions will be incorporated into the restructured Code.

Key requirements and guidance in Exposure Draft 03/18

The key revisions in ED 03/18 include:

- a new definition of Inducement and additional examples of Inducements;
- a new requirement to clarify the responsibility of Members to comply with relevant laws and regulations when offering or being offered Inducements;
- new requirements which prohibit the offering and acceptance of Inducements where the intent is to improperly influence the behaviour of the recipients;
- clarification of how the conceptual framework in the Code should be applied to evaluate and address threats to compliance with the fundamental principles created by offering and accepting Inducements;
- new requirements and application material on the offering and accepting of Inducements by Immediate or Close Family Members; and
- alignment of the provisions relating to Inducements for Members in Public Practice (Part 3 of the restructured Code) with the enhanced provisions for Members in Business (Part 2 of the restructured Code).

Stakeholders should not rely on this summary in the Exposure Draft to determine what changes, if any, are required to their current practices, policies or methodologies. Stakeholders should read the entire Exposure Draft to determine the significance of its proposals.

Proposed Operative Date

It is proposed that the operative date for the revised Inducements provisions is 1 January 2020. This aligns with the effective date for the restructured Code.

Earlier adoption of these provisions will be permitted.

Inducements provisions in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

ISSUED: DATE

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GLOSSARY

In the *Code of Ethics for Professional Accountants (including Independence Standards)* the terms below have the following meanings assigned to them.

In this Glossary, definitions are named in **bold-type** font with the explanations of defined terms shown in regular font; italics are used for explanations of described terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms. References are also provided to terms described in the Code.

...

Inducement

An object, situation, or action that is used as a means to influence another individual's behaviour, but not necessarily with the intent to improperly influence that individual's behaviour.

Inducements can range from minor acts of hospitality between business colleagues (for Members in Business), or between Members and existing or prospective clients (for Members in Public Practice), to acts that result in non-compliance with laws and regulations ("NOCLAR"). An Inducement can take many different forms, for example:

- *Gifts.*
- *Hospitality.*
- *Entertainment.*
- *Political or charitable donations.*
- *Appeals to friendship and loyalty.*
- *Employment or other commercial opportunities.*
- *Preferential treatment, rights or privileges.*

[All other terms in the Glossary in the proposed Restructured Code (ED 02/18) remain unchanged.]

PART 2 – MEMBERS IN BUSINESS (INCLUDING EMPLOYMENT RELATIONSHIPS OF MEMBERS IN PUBLIC PRACTICE)

[Sections 200 – 240 of the proposed Restructured Code (ED 02/18) remain unchanged.]

SECTION 250

INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY

Introduction

- 250.1 Members in Business are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 250.2 Offering or accepting Inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behaviour.
- 250.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of Inducements when undertaking Professional Activities that does not constitute non-compliance with laws and regulations (“NOCLAR”). This section also requires a Member in Business to comply with relevant laws and regulations when offering or accepting Inducements.

Requirements and Application Material

General

- 250.4 A1 An Inducement is an object, situation, or action that is used as a means to influence another individual’s behaviour, but not necessarily with the intent to improperly influence that individual’s behaviour. Inducements can range from minor acts of hospitality between business colleagues to acts that result in non-compliance with laws and regulations (“NOCLAR”). An Inducement can take many different forms, for example:
- Gifts.
 - Hospitality.
 - Entertainment.
 - Political or charitable donations.
 - Appeals to friendship and loyalty.
 - Employment or other commercial opportunities.
 - Preferential treatment, rights or privileges.

Inducements Prohibited by Laws and Regulations

- R250.5** In many jurisdictions, there are laws and regulations, such as those related to bribery and corruption, that prohibit the offering or accepting of Inducements in certain circumstances. The Member in Business shall obtain an understanding of relevant laws and regulations and comply with them when the Member encounters such circumstances.

Inducements Not Prohibited by Laws and Regulations

250.6 A1 The offering or accepting of Inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

Inducements with Intent to Improperly Influence Behaviour

R250.7 A Member in Business shall not offer, or encourage others to offer, any Inducement that is made, or which the Member considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual.

R250.8 A Member in Business shall not accept, or encourage others to accept, any Inducement that the Member concludes is made, or considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual.

250.9 A1 An Inducement is considered as improperly influencing an individual's behaviour if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient. The fundamental principles are an appropriate frame of reference for a Member in Business in considering what constitutes unethical behaviour on the part of the Member and, if necessary by analogy, other individuals.

250.9 A2 A breach of the fundamental principle of integrity arises when a Member in Business offers or accepts, or encourages others to offer or accept, an Inducement where the intent is to improperly influence the behaviour of the recipient or of another individual.

250.9 A3 The determination of whether there is actual or perceived intent to improperly influence behaviour requires the exercise of professional judgement. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the Inducement.
- Timing of when the Inducement is offered relative to any action or decision that it might influence.
- Whether the Inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the Inducement is an ancillary part of a Professional Activity, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the Inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the employing organisation, such as other customers or vendors.
- The roles and positions of the individuals offering or being offered the Inducement.
- Whether the Member in Business knows, or has reason to believe, that accepting the Inducement would breach the policies and procedures of the counterparty's employing organisation.
- The degree of transparency with which the Inducement is offered.
- Whether the Inducement was required or requested by the recipient.
- The known previous behaviour or reputation of the offeror.

Consideration of Further Actions

250.10 A1 If the Member in Business becomes aware of an Inducement offered with actual or perceived intent to improperly influence behaviour, threats to compliance with the fundamental principles might still be created even if the requirements in paragraphs R250.7 and R250.8 are met.

250.10 A2 Examples of actions that might be safeguards to address such threats include:

- Informing senior management or Those Charged with Governance of the employing organisation of the Member in Business or the offeror regarding the offer.
- Amending or terminating the business relationship with the offeror.

Inducements with No Intent to Improperly Influence Behaviour

250.11 A1 The requirements and application material set out in the conceptual framework apply when a Member in Business has concluded there is no actual or perceived intent to improperly influence the behaviour of the recipient or of another individual.

250.11 A2 If such an Inducement is trivial and inconsequential, any threats created will be at an Acceptable Level.

250.11 A3 Examples of circumstances where offering or accepting such an Inducement might create threats even if the Member in Business has concluded there is no actual or perceived intent to improperly influence behaviour include:

- Self-interest threats
 - A Member is offered part-time employment by a vendor.
- Familiarity threats
 - A Member regularly takes a customer or supplier to sporting events.
- Intimidation threats
 - A Member accepts hospitality, the nature of which could be perceived to be inappropriate were it to be publicly disclosed.

250.11 A4 Relevant factors in evaluating the level of such threats created by offering or accepting such an Inducement include the same factors set out in paragraph 250.9 A3 for determining intent.

250.11 A5 Examples of actions that might eliminate threats created by offering or accepting such an Inducement include:

- Declining or not offering the Inducement.
- Transferring responsibility for any business-related decision involving the counterparty to another individual who the Member in Business has no reason to believe would be, or would be perceived to be, improperly influenced in making the decision.

250.11 A6 Examples of actions that might be safeguards to address such threats created by offering or accepting such an Inducement include:

- Being transparent with senior management or Those Charged with Governance of the employing organisation of the Member in Business or of the counterparty about offering or accepting an Inducement.
- Registering the Inducement in a log maintained by the employing organisation of the Member in Business or the counterparty.
- Having an appropriate reviewer, who is not otherwise involved in undertaking the Professional Activity, review any work performed or decisions made by the Member in Business with respect to the individual or organisation from which the Member accepted the Inducement.
- Donating the Inducement to charity after receipt and appropriately disclosing the donation, for example, to Those Charged with Governance or the individual who offered the Inducement.
- Reimbursing the cost of the Inducement, such as hospitality, received.
- As soon as possible, returning the Inducement, such as a gift, after it was initially accepted.

Immediate or Close Family Members

R250.12 A Member in Business shall remain alert to potential threats to the Member's compliance with the fundamental principles created by the offering of an Inducement:

- (a) **By an Immediate or Close Family member of the Member to a counterparty with whom the Member has a professional relationship; or**
- (b) **To an Immediate or Close Family member of the accountant by a counterparty with whom the accountant has a professional relationship.**

R250.13 Where the Member in Business becomes aware of an Inducement being offered to or made by an Immediate or Close Family member and concludes there is intent to improperly influence the behaviour of the Member or of the counterparty, or considers a reasonable and informed third party would be likely to conclude such intent exists, the Member shall advise the Immediate or Close Family member not to offer or accept the Inducement.

250.13 A1 The factors set out in paragraph 250.9 A3 are relevant in determining whether there is actual or perceived intent to improperly influence the behaviour of the Member in Business or of the counterparty. Another factor that is relevant is the nature or closeness of the relationship, between:

- (a) The Member and the Immediate or Close Family member;
- (b) The Immediate or Close Family member and the counterparty; and
- (c) The Member and the counterparty.

For example, the offer of employment, outside of the normal recruitment process, to the spouse of the Member by a counterparty with whom the Member is negotiating a significant contract might indicate such intent.

250.13 A2 The application material in paragraph 250.10 A2 is also relevant in addressing threats that might be created when there is actual or perceived intent to improperly influence the behaviour of the Member in Business or of the counterparty even if the Immediate or Close Family member has followed the advice given pursuant to paragraph R250.13.

Application of the Conceptual Framework

250.14 A1 Where the Member in Business becomes aware of an Inducement offered in the circumstances addressed in paragraph R250.12, threats to compliance with the fundamental principles might be created where:

- (a) The Immediate or Close Family member offers or accepts the Inducement contrary to the advice of the Member pursuant to paragraph R250.13; or
- (b) The Member does not have reason to believe an actual or perceived intent to improperly influence the behaviour of the Member or of the counterparty exists.

250.14 A2 The application material in paragraphs 250.11 A1 to 250.11 A6 is relevant for the purposes of identifying, evaluating and addressing such threats. Factors that are relevant in evaluating the level of threats in these circumstances also include the nature or closeness of the relationships set out in paragraph 250.13 A1.

Other Considerations

250.15 A1 If a Member in Business is offered an Inducement by the employing organisation relating to financial interests, compensation and incentives linked to performance, the requirements and application material set out in Section 240 apply.

250.15 A2 If a Member in Business encounters or is made aware of Inducements that might result in NOCLAR or suspected NOCLAR by other individuals working for or under the direction of the employing organisation, the requirements and application material set out in Section 260 apply.

250.15 A3 If a Member in Business faces pressure to offer or accept Inducements that might create threats to compliance with the fundamental principles, the requirements and application material set out in Section 270 apply.

[Sections 260 – 270 of the proposed Restructured Code (ED 02/18) remain unchanged.]

PART 3 – MEMBERS IN PUBLIC PRACTICE

[Sections 300 – 330 of the proposed Restructured Code (ED 02/18) remain unchanged.]

SECTION 340

INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY

Introduction

- 340.1 Members in Public Practice are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 340.2 Offering or accepting Inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behaviour.
- 340.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of Inducements when performing Professional Services that does not constitute non-compliance with laws and regulations (“NOCLAR”). This section also requires a Member in Public Practice to comply with relevant laws and regulations when offering or accepting Inducements.

Requirements and Application Material

General

- 340.4 A1 An Inducement is an object, situation, or action that is used as a means to influence another individual’s behaviour, but not necessarily with the intent to improperly influence that individual’s behaviour. Inducements can range from minor acts of hospitality between Members in Public Practice and existing or prospective clients to acts that result in non-compliance with laws and regulations (“NOCLAR”). An Inducement can take many different forms, for example:
- Gifts.
 - Hospitality.
 - Entertainment.
 - Political or charitable donations.
 - Appeals to friendship and loyalty.
 - Employment or other commercial opportunities.
 - Preferential treatment, rights or privileges.

Inducements Prohibited by Laws and Regulations

- R340.5 In many jurisdictions, there are laws and regulations, such as those related to bribery and corruption, that prohibit the offering or accepting of Inducements in certain circumstances. The Member in Public Practice shall obtain an understanding of relevant laws and regulations and comply with them when the Member encounters such circumstances.**

Inducements Not Prohibited by Laws and Regulations

340.6 A1 The offering or accepting of Inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

Inducements with Intent to Improperly Influence Behaviour

R340.7 A Member in Public Practice shall not offer, or encourage others to offer, any Inducement that is made, or which the Member considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual.

R340.8 A Member in Public Practice shall not accept, or encourage others to accept, any Inducement that the Member concludes is made, or considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual.

340.9 A1 An Inducement is considered as improperly influencing an individual's behaviour if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient. The fundamental principles are an appropriate frame of reference for a Member in Public Practice in considering what constitutes unethical behaviour on the part of the Member and, if necessary by analogy, other individuals.

340.9 A2 A breach of the fundamental principle of integrity arises when a Member in Public Practice offers or accepts, or encourages others to offer or accept, an Inducement where the intent is to improperly influence the behaviour of the recipient or of another individual.

340.9 A3 The determination of whether there is actual or perceived intent to improperly influence behaviour requires the exercise of professional judgement. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the Inducement.
- Timing of when the Inducement is offered relative to any action or decision that it might influence.
- Whether the Inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the Inducement is an ancillary part of a Professional Service, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the Inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the Firm, such as other suppliers to the client.
- The roles and positions of the individuals at the Firm or the client offering or being offered the Inducement.
- Whether the Member in Public Practice knows, or has reason to believe, that accepting the Inducement would breach the policies and procedures of the client.
- The degree of transparency with which the Inducement is offered.
- Whether the Inducement was required or requested by the recipient.
- The known previous behaviour or reputation of the offeror.

Consideration of Further Actions

340.10 A1 If the Member in Public Practice becomes aware of an Inducement offered with actual or perceived intent to improperly influence behaviour, threats to compliance with the fundamental principles might still be created even if the requirements in paragraphs R340.7 and R340.8 are met.

340.10 A2 Examples of actions that might be safeguards to address such threats include:

- Informing senior management of the Firm or Those Charged with Governance of the client regarding the offer.
- Amending or terminating the business relationship with the client.

Inducements with No Intent to Improperly Influence Behaviour

340.11 A1 The requirements and application material set out in the conceptual framework apply when a Member in Public Practice has concluded there is no actual or perceived intent to improperly influence the behaviour of the recipient or of another individual.

340.11 A2 If such an Inducement is trivial and inconsequential, any threats created will be at an Acceptable Level.

340.11 A3 Examples of circumstances where offering or accepting such an Inducement might create threats even if the Member in Public Practice has concluded there is no actual or perceived intent to improperly influence behaviour include:

- Self-interest threats
 - A Member is offered hospitality from the prospective acquirer of a client while providing corporate finance services to the client.
- Familiarity threats
 - A Member regularly takes an existing or prospective client to sporting events.
- Intimidation threats
 - A Member accepts hospitality from a client, the nature of which could be perceived to be inappropriate were it to be publicly disclosed.

340.11 A4 Relevant factors in evaluating the level of such threats created by offering or accepting such an Inducement include the same factors set out in paragraph 340.9 A3 for determining intent.

340.11 A5 Examples of actions that might eliminate threats created by offering or accepting such an Inducement include:

- Declining or not offering the Inducement.
- Transferring responsibility for the provision of any Professional Services to the client to another individual who the Member in Public Practice has no reason to believe would be, or would be perceived to be, improperly influenced when providing the services.

340.11 A6 Examples of actions that might be safeguards to address such threats created by offering or accepting such an Inducement include:

- Being transparent with senior management of the Firm or of the client about offering or accepting an Inducement.
- Registering the Inducement in a log monitored by senior management of the Firm or another individual responsible for the Firm's ethics compliance or maintained by the client.
- Having an appropriate reviewer, who is not otherwise involved in providing the Professional Service, review any work performed or decisions made by the Member in Public Practice with respect to the client from which the Member accepted the Inducement.
- Donating the Inducement to charity after receipt and appropriately disclosing the donation, for example, to a member of senior management of the Firm or the individual who offered the Inducement.
- Reimbursing the cost of the Inducement, such as hospitality, received.
- As soon as possible, returning the Inducement, such as a gift, after it was initially accepted.

Immediate or Close Family Members

R340.12 A Member in Public Practice shall remain alert to potential threats to the Member's compliance with the fundamental principles created by the offering of an Inducement:

- (a) By an Immediate or Close family member of the Member to an existing or prospective client of the Member.**
- (b) To an Immediate or Close Family member of the Member by an existing or prospective client of the Member.**

R340.13 Where the Member in Public Practice becomes aware of an Inducement being offered to or made by an Immediate or Close Family member and concludes there is intent to improperly influence the behaviour of the Member or of an existing or prospective client of the Member, or considers a reasonable and informed third party would be likely to conclude such intent exists, the Member shall advise the Immediate or Close Family member not to offer or accept the Inducement.

340.13 A1 The factors set out in paragraph 340.9 A3 are relevant in determining whether there is actual or perceived intent to improperly influence the behaviour of the Member in Public Practice or of the existing or prospective client. Another factor that is relevant is the nature or closeness of the relationship, between:

- (a) The Member and the Immediate or Close Family member;
- (b) The Immediate or Close Family member and the existing or prospective client; and
- (c) The Member and the existing or prospective client.

For example, the offer of employment, outside of the normal recruitment process, to the spouse of the Member by a client for whom the Member is providing a business valuation for a prospective sale might indicate such intent.

340.13 A2 The application material in paragraph 340.10 A2 is also relevant in addressing threats that might be created when there is actual or perceived intent to improperly influence the behaviour of the Member in Public Practice, or of the existing or prospective client even if the Immediate or Close Family member has followed the advice given pursuant to paragraph R340.13.

Application of the Conceptual Framework

340.14 A1 Where the Member in Public Practice becomes aware of an Inducement offered in the circumstances addressed in paragraph R340.12, threats to compliance with the fundamental principles might be created where:

- (a) The Immediate or Close Family member offers or accepts the Inducement contrary to the advice of the Member pursuant to paragraph R340.13; or
- (b) The Member does not have reason to believe an actual or perceived intent to improperly influence the behaviour of the Member or of the existing or prospective client exists.

340.14 A2 The application material in paragraphs 340.11 A1 to 340.11 A6 is relevant for the purposes of identifying, evaluating and addressing such threats. Factors that are relevant in evaluating the level of threats in these circumstances also include the nature or closeness of the relationships set out in paragraph 340.13 A1.

Other Considerations

340.15 A1 If a Member in Public Practice encounters or is made aware of Inducements that might result in NOCLAR or suspected NOCLAR by a client or individuals working for or under the direction of the client, the requirements and application material in Section 360 apply.

340.15 A2 If a Firm, Network Firm or an Audit Team member is being offered gifts or hospitality from an Audit Client, the requirement and application material set out in Section 420 apply.

340.15 A3 If a Firm or an Assurance Team member is being offered gifts or hospitality from an Assurance Client, the requirement and application material set out in Section 906 apply.

[Sections 350 – 360 of the proposed Restructured Code (ED 02/18) remain unchanged.]

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

[Sections 400 – 411 of the proposed Restructured Code (ED 02/18) remain unchanged.]

SECTION 420

GIFTS AND HOSPITALITY

Introduction

- 420.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to Independence.
- 420.2 Accepting gifts and hospitality from an Audit Client might create a self-interest, familiarity or intimidation threat. This section sets out a specific requirement and application material relevant to applying the conceptual framework in such circumstances.

Requirement and Application Material

- R420.3 A Firm, Network Firm or an Audit Team member shall not accept gifts and hospitality from an Audit Client, unless the value is trivial and inconsequential.**
- 420.3 A1 Where a Firm, Network Firm or Audit Team member is offering or accepting an Inducement to or from an Audit Client, the requirements and application material set out in Section 340 apply and non-compliance with these requirements might create threats to Independence.
- 420.3 A2 The requirements set out in Section 340 relating to offering or accepting Inducements do not allow a Firm, Network Firm or Audit Team member to accept gifts and hospitality where the intent is to improperly influence behaviour even if the value is trivial and inconsequential.

[Sections 430 – 800 of the proposed Restructured Code (ED 02/18) remain unchanged.]

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

[Sections 900 – 905 of the proposed Restructured Code (ED 02/18) remain unchanged.]

SECTION 906

GIFTS AND HOSPITALITY

Introduction

- 906.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to Independence.
- 906.2 Accepting gifts and hospitality from an Assurance Client might create a self-interest, familiarity or intimidation threat. This section sets out a specific requirement and application material relevant to applying the conceptual framework in such circumstances.

Requirement and Application Material

- R906.3 A Firm or an Assurance Team member shall not accept gifts and hospitality from an Assurance Client, unless the value is trivial and inconsequential.**
- 906.3 A1 Where a Firm or Assurance Team member is offering or accepting an Inducement to or from an Assurance Client, the requirements and application material set out in Section 340 apply and non-compliance with these requirements might create threats to Independence.
- 906.3 A2 The requirements set out in Section 340 relating to offering or accepting Inducements do not allow a Firm or Assurance Team member to accept gifts and hospitality where the intent is to improperly influence behaviour even if the value is trivial and inconsequential.

[Sections 907 – 990 of the proposed Restructured Code (ED 02/18) remain unchanged.]