



Grant Thornton

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Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements

To the Members of the International Ethics Standards Board for Accountants:

Grant Thornton International Ltd. (GTIL) appreciates the opportunity to comment on the September 2017, Exposure Draft (ED) Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements approved for publication by the International Ethics Standards Board for Accountants (the IESBA or the Board).

GTIL is an umbrella organisation that does not provide services to clients. Services are delivered by GTIL member firms around the world. Representative GTIL member firms have contributed to and collaborated on this comment letter with the public interest as their overriding concern.

We support the Board's proposals and believe they will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high-quality standards that will enhance the profession.

Request for Specific Comment

Proposed Section 250

1. *Do respondents support the proposals in Section 250? In particular, do respondents support the proposed guidance to determine whether there is an intent to improperly influence behaviour, and how it is articulated in the proposals?*

GTIL supports the proposals in Section 250 and the proposed guidance to determine whether there is an intent to improperly influence behaviour and how it is articulated in the proposals.

However, as it relates to Paragraphs R250.7 and R250.8, the reasonable and informed third party test is supposed to be an objective test based on the conclusions reached by a "reasonable and informed" third party.

Currently the way the two paragraphs are written, lends the conclusion made by a reasonable and informed third party to be dependent on the accountant's subjectivity; allowing the accountant to argue in their own defence that a "reasonable and informed third party" would not reach an adverse conclusion in the matter.

Accordingly, we recommend the following revisions to paragraphs R250.7 and R250.8:

R250.7 A professional accountant shall not offer or encourage others to offer, any inducement that ~~is made, or which the accountant believes~~ a reasonable and informed third party would be likely to conclude is made with the intent to improperly influence the recipient's behaviour.

R250.8 A professional accountant shall not accept , or encourage others to accept, any inducement that ~~the accountant has reason to believe is made, or believes~~ a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the recipient's behaviour.

Additionally with respect to paragraph 250.9 A1, we believe the third bullet point which discusses "*whether the inducement is an ancillary part of a professional activity, for example, accepting lunch in connection with a business meeting*", does not support the other factors to consider and in fact could instead nullify them. The professional accountant could argue that that the inducement is an "ancillary part of a professional activity", even when the inducement is offered repeatedly or the value is such that a reasonable and informed third party would conclude that the inducement could influence the recipient's behaviour. Accordingly, we are recommending that the Board consider removing this bullet point.

Proposed Section 340

2. *Do respondents agree that the proposed provisions relating to inducements for PAPPs should be aligned with the enhanced provisions for PAIBs in proposed Section 250? If so, do respondents agree that the proposals in Section 340 achieve this objective?*

GTIL agrees that the proposed provisions relating to inducements for PAPP should be aligned with the enhanced provisions for PAIB in proposed Section 250. We also agree that the proposals in Section 340 achieve this objective.

We are also aware that the accountant's duty of objectivity may be subject to change and apply to various parties depending on whether the accountant is in industry or in public practice. However, for professional accountants in public practice, the proposed provisions in paragraph 340.4 A1 should not confine consideration of an inducement to the accountant – client relationship only. The provisions should also apply to all prospective clients and any person that can influence the client such as entities or persons that have control or significant influence over the client.

Proposed Conforming Amendments to Independence Provisions

3. *Do respondents support the restructuring changes and proposed conforming amendments in proposed Sections 420 and 906?*

GTIL supports the restructuring changes and proposed conforming amendments in proposed Sections 420 and 906.

4. *Do respondents believe the IESBA should consider a project in the future to achieve further alignment of Sections 420 and 906 with proposed Section 340? If so, please explain why.*

GTIL believes IESBA should consider a project in the future to achieve further alignment of Sections 420 and 906 with proposed Section 340 as it pertains to the provisions in Section 340 applicable to immediate and close family members. The current guidance in the requirements of Section 420 prohibits a firm, network firm or an audit team member from accepting gifts and hospitality from an audit client unless the value is trivial and inconsequential. The current guidance in the requirement of Section 906 prohibits a firm or an assurance team member from accepting gifts and hospitality from an assurance client unless the value is trivial and inconsequential. However, there are no prohibitions in either section which would preclude an immediate or close family member of the audit or assurance team from accepting gifts or hospitality from the audit or assurance client that is not trivial or inconsequential.

Therefore, we are recommending the Board consider including in Sections 420 and 906 provisions which would prohibit immediate and close family members of audit and assurance team members from accepting gifts or hospitality from an audit or assurance client that is not trivial or inconsequential.

GTIL would like to thank the IESBA for this opportunity to comment. As always we welcome an opportunity to meet with representatives of the IESBA to discuss these matters further. If you have any questions, please contact Gina Maldonado-Rodek, Director - Global Independence at gina.maldonado-rodek@gti.gt.com.

Sincerely,



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