



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

Our Ref.: C/EC

18 December 2017

Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017  
The United States of America

Dear Sir,

**IESBA Exposure Draft**  
***Proposed Revisions to the Code Pertaining to the***  
***Offering and Accepting of Inducements***

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to set and promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft.

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.

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 project should cover inducements other than gifts and hospitality, and the acceptance and offering of inducements by immediate or close family members.

Other suggested improvements that would clarify the proposed content in the Code are included in the Appendix of this letter.

If you have any questions regarding the matters raised above, please contact Eky Liu, Associate Director of the Standard Setting Department ([eky@hkicpa.org.hk](mailto:eky@hkicpa.org.hk)).

Yours faithfully,

A handwritten signature in black ink that reads 'Chris Joy'. The signature is written in a cursive, slightly slanted style.

Chris Joy  
Executive Director

CJ/EL

## Detailed comments on the Exposure Draft (ED)

The following comments apply to both Sections 250 and 340 in the ED.

1. The proposals for professional accountants to deal with inducements take the following structured approach:
  - (a) Comply with relevant laws and regulations.
  - (b) For inducements not prohibited by laws and regulations, apply the 'intent' test.
    - If there is improper intent, prohibit offering and accepting any inducements.
    - If there is no improper intent, apply the conceptual framework to identify, evaluate and address threats to compliance.
    - For inducement with no improper intent, and is trivial and inconsequential, it is exempted from applying the conceptual framework.

To assist professional accountants implement and apply the provisions, we consider that it would be helpful to clearly set out the above hierarchy of the decisions to be made by a professional accountant in dealing with inducements, e.g. in the form of a decision tree, in the Code or in the education materials when the final provisions are issued.

2. One of the safeguards that the ED proposes to address threats created by offering or accepting an inducement is registering the inducement in a log monitored by senior management or those charged with governance. To make this safeguard more effective, we consider that the professional accountant, who offered or accepted the inducement, should also seek the direction from the senior management or those charged with governance as to how to handle the inducement.
3. Paragraph 250.11 A4 proposes that an example of an action that might eliminate threats created by offering or accepting an inducement is transferring responsibility for any business-related decision to another individual who would not be improperly influenced. On top of this, we consider that the most simple and obvious action for professional accountants to eliminate threats created by inducement is declining the offer of inducement or returning the inducement to the offeror. We recommend that the IESBA add such example in the paragraph.

~ End ~