



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

Reference No: AOB/IESBA/R&RT/2017-002/Inducements

14 December 2017

Mr Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, NY 10017  
USA

Dear Sir

**COMMENTS ON IESBA EXPOSURE DRAFT  
PROPOSED REVISIONS TO THE CODE PERTAINING TO THE OFFERING AND  
ACCEPTING OF INDUCEMENTS**

We thank you for the opportunity to comment.

In response to your exposure draft, we are pleased to provide our comments and feedback on the proposed revisions to the Code, as attached in **Appendix I**.

Should you require any further clarification, please do not hesitate to contact me at +603 6204 8816 or at my email [alexo@seccom.com.my](mailto:alexo@seccom.com.my).

Thank you.

Yours sincerely

  
**Alex Ooi Thiam Poh**  
Executive Officer  
Audit Oversight Board

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## AUDIT OVERSIGHT BOARD

### Comments on International Ethics Standards Board for Accountants Exposure Draft *Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements*

The Audit Oversight Board, Malaysia (AOB) supports the efforts of the International Ethics Standards Board for Accountants (IESBA) to establish a comprehensive framework that covers acceptance and offering of inducements, applicable to both professional accountants in business and professional accountants in public practice.

In this regard, our comments on the proposed revisions to the Code are as follows:

#### *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 behavior, and how it is articulated in the proposals?

#### *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?

AOB has no objection to the proposals in Sections 250 and 340, except for the following areas:

#### **(i) Inconsistency in treatment of donation**

“Political or charitable donations” are identified as an example of inducement under Paras 250.4 A1 and 340.4 A1.

In contrast, Paras 250.11 A3 and 340.11 A3 describe “donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to those charged with governance, a member of senior management of the firm, or the individual who offered the inducement” as a safeguard that can address threats created by offering or accepting an inducement with no intent to improperly influence behaviour.

AOB is of the view that these contrasting examples will cause confusion and could result in inconsistent application of the Code. We recommend instead that inducements donated to charity be incorporated in the first example of a safeguard as follows:

Para 250.11 A3 – “Registering the inducement, whether offered or accepted, including those donated to charity, in a log monitored by senior management or those charged with governance for the purposes of transparency.”

Para 340.11 A3 – “Registered the inducement, whether offered or accepted, including those donated to charity, in a log monitored by senior management of the firm or another individual responsible for the firm’s ethics compliance for the purposes of transparency.”

**(ii) Closeness of the relationship**

Paras 250.13 A1 and 340.13 A1 describe “nature or closeness of the relationship” as a relevant factor in determining whether there is actual or perceived intent to improperly influence the behaviour of the professional accountant or the counterparty.

AOB recommends that IESBA defines “closeness” of relationships between the professional accountant, immediate or close family member and the counterparty or client for clarity.

*Proposed Conforming Amendments to Independence Provisions*

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

AOB has no objection to the proposals.

4. Do respondents believe the IESBA should consider a project in the future to achieve further alignment of Sections 402 and 906 with proposed Section 340? If so, please explain why.

AOB is of the view that the current proposed conforming amendments in Sections 402 and 906 are sufficiently aligned.