

**Revision of Part C, Phase 2— Proposed Conforming Amendments to Proposed  
Sections 420 and 906**

(Clean Version inclusive of Conforming Amendments to [Proposed Restructured Code](#))

**PART 4A – INDEPENDENCE FOR AUDITS AND REVIEWS**

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**Section 420**

**Gifts, Hospitality and other Inducements**

**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 inducements from an audit client might create self-interest, intimidation, familiarity or other threats.
- 420.3 Section 420 sets out specific requirements relevant to applying the conceptual framework to acceptance of inducements.

**Requirement and Application Material**

- R420.4** When being offered an inducement a firm, a network firm or an audit team member shall apply the requirements and application material in paragraphs 340.5 A1 to R340.11 to evaluate if there exists an actual or perceived intent to improperly influence behavior.
- R420.5** Even when it has been evaluated that there is no actual or perceived intent to improperly influence behavior, the firm, network firm or audit team member shall not accept the inducement from an audit client, unless the value is trivial and inconsequential, both individually and in the aggregate.
- R420.6** As relates to immediate and close family members of an audit team member accepting an inducement, the audit team member shall consider the requirements and application material in R340.17 to 340.19 A2.

**Other Considerations**

420. 7 A1 If a firm, a network firm or an audit team member offers an inducement that might create actual or perceived threats to compliance with the fundamental principles, Section 340 is also relevant.

## **Part 4B – INDEPENDENCE FOR OTHER ASSURANCE ENGAGEMENTS**

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### **Section 906**

#### **Gifts, Hospitality and other Inducements**

##### **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 inducements from an assurance client might create self-interest, intimidation, familiarity or other threats.
- 906.3 Section 906 sets out specific requirements relevant to applying the conceptual framework to acceptance of inducements.

##### **Requirements and Application Material**

- R906.4** When being offered an inducement a firm or an assurance team member shall apply the requirements and application material in paragraphs 340.5 A1 – R340.11 to evaluate if there exists an actual or perceived intent to improperly influence behavior.
- R906.5** Even when it has been evaluated that there is no actual or perceived intent to improperly influence behavior, the firm or the assurance team member shall not accept the inducement from an assurance client, unless the value is trivial and inconsequential, both individually and in the aggregate.
- R906.6** As relates to immediate and close family members of an audit team member accepting an inducement, the audit team member shall consider the requirements and application material in R340.17 to 340.19 A2.

##### **Other Considerations**

- 906.7 A1 If a firm or an assurance team member offers an inducement that might create actual or perceived threats to compliance with the fundamental principles, Section 340 is also relevant.