

In this KLiP, we will discuss:

6. Inducements, Including Gifts and Hospitality

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 intention to improperly influence them. Inducements can range from minor acts of hospitality between professional accountants and existing or prospective clients, to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example - gifts, hospitality, entertainment, charitable donations, preferential treatments etc.

Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in the Code to identify, evaluate and address threats in relation to offering or accepting inducements. Inducements might create a self-interest, familiarity or intimidation threat to compliance with principles, particularly the principles of integrity, objectivity and professional behaviour.

Inducements prohibited by laws & regulations

In many jurisdictions, there are laws and regulations, such as those relating to bribery and corruption, that prohibit the offering or accepting of inducements in certain circumstances. The professional accountant shall obtain an understanding of relevant laws and regulations and comply with them when the accountant encounters such circumstances.

Inducements with Intent to Improperly Influence Behaviour

Where inducements are **not prohibited by laws & regulations**, a professional accountant **shall not offer, or encourage others to offer, any inducement** that is made, or which the accountant considers a reasonable and informed third party would be likely to conclude is made, **with the intention to improperly influence the behaviour of the recipient or of another individual**.

Similarly, a professional accountant **shall not accept or encourage others to accept, any inducements with the intent to improperly influence the behaviour of the recipient or another individual**.

An inducement is considered as improperly influencing an individual's behavior 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. A breach of the fundamental principles of integrity arises, due to such inducements.

We shall continue the topic on inducements in our next KLiP.

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