

In this KLIP, we continue with the:

6. Inducements, Including Gifts and Hospitality

Factors to determine whether there is actual or perceived intent to improperly influence the individual's behaviour

To determine whether there is actual or perceived intent to improperly influence the behaviour requires the exercise of professional judgement. Relevant factors to consider might include:

- a) The nature, frequency, value and cumulative effect of the inducement.
- b) Timing of when the inducements is offered in relation to any action or decision that it might influence.
- c) Whether the inducement is a customary or cultural practice. For example – a gift on occasion of a religious holiday or wedding.
- d) Whether the inducement is an ancillary part of a professional service. For example – Offering lunch in connection with a business meeting.
- e) The role and positions of the individuals at the firm or the client offering or those being offered the inducement.
- f) Whether the offer of inducement is limited to an individual recipient or available to broader group.
- g) The degree of transparency with which the inducement is offered.
- h) Whether the inducement was required or requested by the recipient.
- i) Any known previous behaviour or reputation of the offeror.
- j) Whether the professional accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the client.

In such circumstances, the actions that might be safeguards to address such threats include:

- Informing senior management of the firm or TCWG of the client regarding the offer.
- Amending or terminating the business relationship with the client.

A professional accountant shall remain alert to potential threats to compliance with fundamental principles, created by the offering of an inducement:

- a) **To** an immediate or close family member of the accountant **by** an existing or prospective client of the accountant. Or
- b) **By** an immediate or close family member of the accountant **to** an existing or prospective client of the accountant.

Where the professional accountant becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behaviour of the accountant (or of an existing or prospective client of the accountant), or considers a

reasonable and informed third party would be likely to conclude such intent exists, then the accountant shall advise the immediate or close family member not to offer or accept the inducement.

With this we come to the end of topic on inducements.

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