

In this training session, we will cover:

- 3. **Gifts and Hospitality**
- 4. **Actual or Threatened Litigation**

3. Gifts and Hospitality

Accepting gifts and hospitality from an assurance client might create a self-interest, familiarity or intimidation threat.

A firm or an assurance team member shall not accept gifts and hospitality from an assurance client, unless the value is trivial and inconsequential.

The requirements set out in the Code relating to offering or accepting inducements do not allow a firm or assurance team member to accept gifts and hospitality where the intent is to improperly influence behaviour even if the value is trivial and inconsequential.

4. Actual or Threatened Litigation

When litigation with an assurance client occurs, or appears likely self-interest and intimidation threats are created.

The relationship between client management and assurance team members must be characterised as being completely honest and must fully disclose regarding all aspects of a client's operations. Adversarial positions might result from actual or threatened litigation between an assurance client and the firm or an assurance team member. Such conflicting positions might affect the management's willingness to make complete disclosures resulting in self-interest and intimidation threats being created.

When evaluating the level of such threats, factors such as the materiality of the litigation, and whether the litigation relates to a prior assurance engagement, are relevant.

If the litigation involves an assurance team member, an action that might eliminate this threat is, removing that individual from the assurance team.

Alternatively, an action that might be a safeguard to address the threat is, having an appropriate reviewer to review the work performed.

We will discuss the **5th topic: Financial Interests**, in our next KLIP.

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