BEWARE GREEKS BEARING GIFTS

Tread carefully when it comes to accepting hospitality from clients – one day they might want something in return, says Neil Arnott

I remember, many years ago, my old history teacher Mr Harvey telling us with great passion about the story of the Greek army who, after 10 long years of besieging the city of Troy, sailed away one night leaving behind a gigantic wooden horse. The Trojans, thinking they had finally won, pulled the giant horse into the city and began to celebrate. What they didn't know was that hidden away inside the horse was small group of Greek warriors who descended under darkness of night and routed the Trojans as they slept off their hangovers.

Nowadays, of course, a Trojan virus is one which enters your computer and lurks, unseen, before causing (often irreparable) damage. But there is another way the story still lives on in modern life – in the saying "Beware Greeks bearing gifts", which means that we should always be wary of anything which we get for free, as there is often peril lurking within.

Objectivity compromised

Accountants are often in a position where they are offered something for nothing, and they should be wary of the dangers which can arise from accepting them. Clients may offer gifts or hospitality to an accountant – this could be anything from a bottle of wine at Christmas to lavish hospitality at sporting or cultural events or other expensive items. The accountant faces a significant risk in accepting any of these, because it could be perceived by others that they have been offered in an attempt to compromise their objectivity.

Objectivity is one of the five fundamental principles of the AAT's Code of Professional Ethics. It means that an accountant must ensure that any decision or judgement they make is done so fairly and without bias or prejudice. A significant threat to this objectivity is self-interest, which arises when the accountant's judgement is influenced by the knowledge that he, or someone close such as a relative, could benefit by making a particular decision.

Even if the client's intentions in offering gifts or hospitality are entirely honourable, there remains a risk that the accountant's judgement could become coloured as a result. At some point in the future, that client may want the accountant to do something unethical on their behalf – such as understate income on a tax

return – and the accountant may be more likely to do so because of the earlier gifts and hospitality. Or, in another scenario, the client may want the accountant to support their plans to expand their business, which would seriously affect the long-term prospects of a different client – again, the accountant's objectivity in this may be compromised by the gifts or hospitality they have previously received.

Most people would accept that accepting simple gifts such as a bottle of wine from a client are unlikely to seriously impact on the accountant's objectivity. However, at the other end of the scale, there is no doubt that accepting more valuable items is a serious threat to independence and objectivity.

We only need to look at the experiences of football's world governing body, FIFA, to see how gifts and hospitality are used to bribe and corrupt. FIFA had been the subject of allegations of bribery, corruption, collusion and money laundering for some years, and investigations by the FBI and other crime prevention agencies began in earnest in 2015. It is alleged that corruption within FIFA was rife, with many examples of illegal payments being made in relation to securing contracts and marketing rights for global football events such as the World Cup.

Clearly worded policy

So what should accountants do? One approach would be to simply refuse any offers of gifts or hospitality – even ones of very low value. By doing this, there could be no allegations of corruption, but this approach could be considered to be over-cautious by some and may even lead to a loss of business if clients are offended by a refusal to accept a small 'token'.

A practical solution is to have a clearly worded policy which applies to all staff and which provides rules for which gifts can and cannot be accepted. A register could also be kept, in which any gifts or hospitality offered and/or accepted are recorded and reviewed periodically. Ultimately, however, it is usually a case for the accountant's professional judgement to determine whether a gift or offer of hospitality could be construed as a threat to objectivity – and if there is any doubt the offer should be politely declined. To paraphrase another old saying – always look a gift horse in the mouth! PQ

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