

Professional Accountants in business

This paper looks at ethical issues surrounding professional Accountants working in business. Professional accountants working in business may have spent their entire career working in business or followed a career path like mine qualifying at an accountancy firm and then moving on to work in business. The CCAB have written a series of Case Studies for Professional Accountants in Business. The case studies do not cover every possible scenario but outline key principles and processes that could be considered when attempting to identify, evaluate and address ethical threats in line with the professional body's code of ethics.

All members (and registered students) of CCAB bodies have a responsibility to behave ethically at all times. In 2021 CCAB conducted an Ethics survey across its members (ICAEW, ACCA, CIPFA, ICAS and the Chartered Accountants of Ireland). The Survey found that 27% of respondents indicated that they had been put under pressure or felt under pressure to act in a professionally unethically way. Ethical failings in corporate scandals have been a familiar theme from Laker Airways in 1982, to the Enron collapse in 2001 and more recently with RBS, Carillion, Patisserie Valerie, BHS, Rolls-Royce and Tesco to name but a few. Many of those failings highlighted the importance of integrity and objectivity in financial statements which are the first two of the five fundamental principles of ethics for an accountant.

However, displaying integrity and objectivity at all times may be difficult especially if there is a financial incentive for senior management or the accountant if the financial results are inflated or overstated. This can pose a significant conflict of interest and as we can see from the 2021 CCAB survey professional accountants in business may experience threats to compliance with the five fundamental principles.

In November 2015, ICAS launched its business ethics initiative called "The Power of One".

"The Power of One calls on all CAs to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations, to help re-establish ethics at the core of business practices and to rebuild public trust in business."

The second paper in "The Power of One series" recognised that moral courage is usually required to act ethically in challenging circumstances. Moral courage is a virtue that can help accountants remain ethical when pressured to act unethically.

Professional accountants also have the added responsibility to act in the public interest in relation to compliance with laws and regulations ensuring that the firm acts ethically. Applying the reasonable and informed third party test can guide professional accountants in business to act ethically.

The first port of call when an ethical dilemma is identified is raising your concern to the appropriate person. This might be your line manager or someone more senior in the organisation bearing in mind your confidentiality obligations. In some cases the dilemma can be successfully resolved internally. Unfortunately, not all ethical issues can be resolved internally and as we have seen the 2021 CCAB survey, an accountant may have to leave the firm with appropriate whistleblowing to ensure that the accountant fulfils their ethical obligations.

The CCAB article Professional Accountants in Business has 7 case studies. Covering issues such as overstating stock, fraudulent activity, false accounting and non-disclosure to

auditors. The issues are broad and could be faced by many Professional Accountants in business. In addition to the possible pressure from senior management to act unethically, the case studies highlight the possible financial benefit for acting unethically and the potential loss of employment by adhering to the fundamental ethical principles of an accountant. The last case study looks at some of the issues a newly recruited head of tax could face by finding errors which the finance team may be reluctant to correct with HMRC due to the additional tax cost.

One constant theme is that an accountant may have to leave the current firm they are working at if the firm refuses to resolve the ethical issue. This point coupled with the number of recent ethical issues highlighted in UK corporates, may indicate a greater level of regulation is needed in the UK and Ireland akin to a Sarbanes-Oxley Act. Increased legal requirements on company directors, management and public accounting firms would decrease the pressure an individual accountant currently faces and would also hopefully reduce future corporate failings in the UK and Ireland.

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