



**ETHICS IN A
COVID-19 WORLD**

Think Ahead

About ACCA

ACCA is the Association of Chartered Certified Accountants. We're a thriving global community of 227,000 members and 544,000 future members based in 176 countries that upholds the highest professional and ethical values.

We believe that accountancy is a cornerstone profession of society that supports both public and private sectors. That's why we're committed to the development of a strong global accountancy profession and the many benefits that this brings to society and individuals.

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Foreword



Helen Brand OBE
Chief executive, ACCA

At ACCA, we're proud of our commitment to upholding and promoting the highest ethical standards. For our members, ethical challenges are an ever-present feature of their working lives and one that is brought into even sharper relief in times of economic and societal difficulty.

As we all work through the business and wider impacts of the pandemic, we face the most challenging environment any of us have experienced. This not only intensifies the ethical dilemmas with which professional accountants are already familiar but also brings forward new issues that require them to exercise all their professional expertise and ethical judgement. In particular, increasing digitisation – both as a wider trend very much in evidence before the COVID-19 outbreak and now accelerated as a result of it – is creating new scenarios that require professional accountants to make finely balanced judgements.

This white paper – developed as part of our global focus on rethinking business for a sustainable recovery – explores what ethics now means in a COVID-19 world, looking at the key areas of challenges that organisations are experiencing.

When we talk about 'building back better', this cannot be just a matter of operational and financial resilience. It also needs to involve ensuring that the enterprises we work in have a net positive impact on society and the planet. The commitment professional accountants make to upholding and exercising ethics will enable them to make an invaluable contribution to the world we want to live in, once COVID-19 is conquered.

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**BUSINESS RECOVERY IS
ESSENTIAL BUT MUST BE
ACHIEVED IN A WAY THAT IS
ETHICAL AND THAT SERVES
THE PUBLIC INTEREST.
THAT IS THE ONLY WAY
TO ACHIEVE A RECOVERY
FROM THIS PANDEMIC
THAT IS SUSTAINABLE AND
THAT CREATES VALUE IN
THE LONG TERM.**

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Introduction

Ethics in a COVID-19 world

The global pandemic has proved itself to be a tough adversary on multiple fronts. At its heart this is, of course, a human tragedy needing a concerted effort in health care. A direct corollary of the pandemic is, however, its economic impact and taken together these have created what some have dubbed the lives-versus-livelihoods dilemma. In other words, how do we protect peoples' lives, while also safeguarding their livelihoods? This is the central question, at the economic level, being tackled by policymakers, but the tensions and trade-offs that lie at its heart reverberate across the decisions we all make.

For accountancy and finance professionals, these tensions have reinforced the importance of upholding the highest

standards of ethics. This has always been at the core of the profession but in times of duress it is all the more important to pay close attention to it.

It's already clear that ethical challenges related to the pandemic are a reality for many accountancy and finance professionals. As a survey of ACCA and Institute of Management Accountants (IMA) members featuring respondents from around the world in September 2020 revealed, one member in five has directly, or via a work colleague, encountered a situation where, as a result of COVID-19, ethics were at risk of compromise (Figure 1a). Furthermore, among those who experienced such situations, a quarter of issues related in some way to the use of technology (Figure 1b).

FIGURE 1a: Have you, or anyone you work with, encountered a situation as a result of COVID-19, where ethics were at risk of compromise?

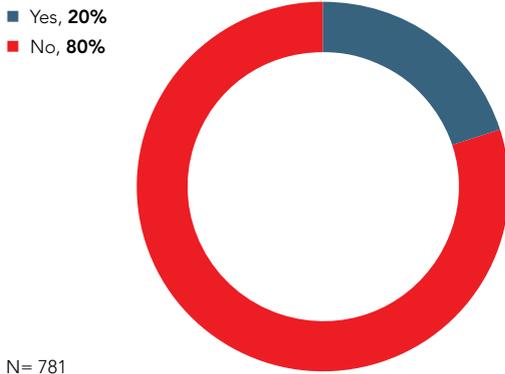
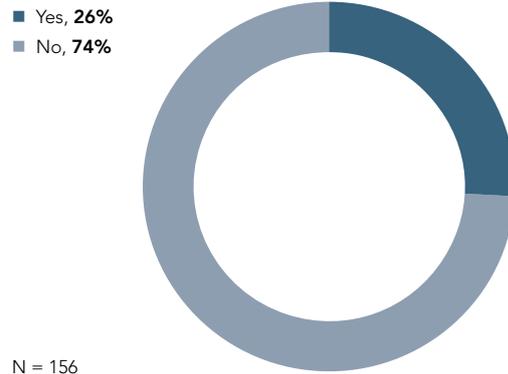
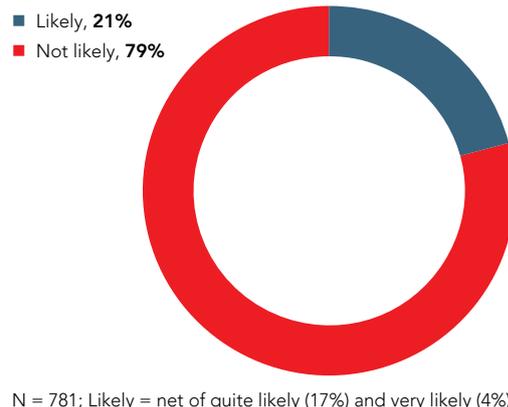


FIGURE 1b: If yes, was the ethically challenging situation, or any of the situations if more than one, related to the use of technology?



Looking ahead over the next two years (Figure 2), one member in five expects to encounter a situation where they, or someone they know, could be ethically compromised. This reflects an awareness of and alertness to potential risks and how ethics will continue to be a key priority in the future. Business recovery is essential but must be achieved in a way that is ethical and that serves the public interest. That is the only way to achieve a recovery from this pandemic that is sustainable and that creates value in the long term. The pandemic will, we hope, one day be behind us, but the choices we make in its wake will stay with us well into the future.

FIGURE 2: Over the next two years, what is the likelihood that you, or anyone you work with, could be ethically compromised as a result of dealing with the impact of COVID-19?



Dealing with an ethical challenge

ACCA's overall approach to **ethics** as well as its work in supporting stakeholders during **COVID-19** play a critical part in informing the perspectives discussed below. **The ACCA Code of Ethics and Conduct (the Code)** is binding on all ACCA members and students, as well as any partner (or director) in an ACCA practice. It is based on the Code of the International Ethics Standards Board for Accountants (IESBA), and the fundamental principles set out are the same as those of IESBA, the latter having outlined these as part of its enhanced conceptual framework (Figure 3).

This framework involves identifying whether there is a threat (see Box for types of threat), evaluating any such threat and addressing it. Addressing a threat may involve eliminating it altogether by removing the circumstances that create it or applying safeguards to reduce the scale of the threat to acceptable levels, or declining/terminating the professional service or activity that creates the threat.

'Safeguards' in the above context refer to actions taken to reduce the level of threat. But there is a recognition within the code that this may not always be possible, and hence the option of declining/terminating services. Furthermore, 'safeguards' refer to actions undertaken in response to a given situation. So broader policies and procedures that are in place within the organisation to deal with unethical behaviour are not safeguards as they may not be designed for the specific threat being faced at a given point.

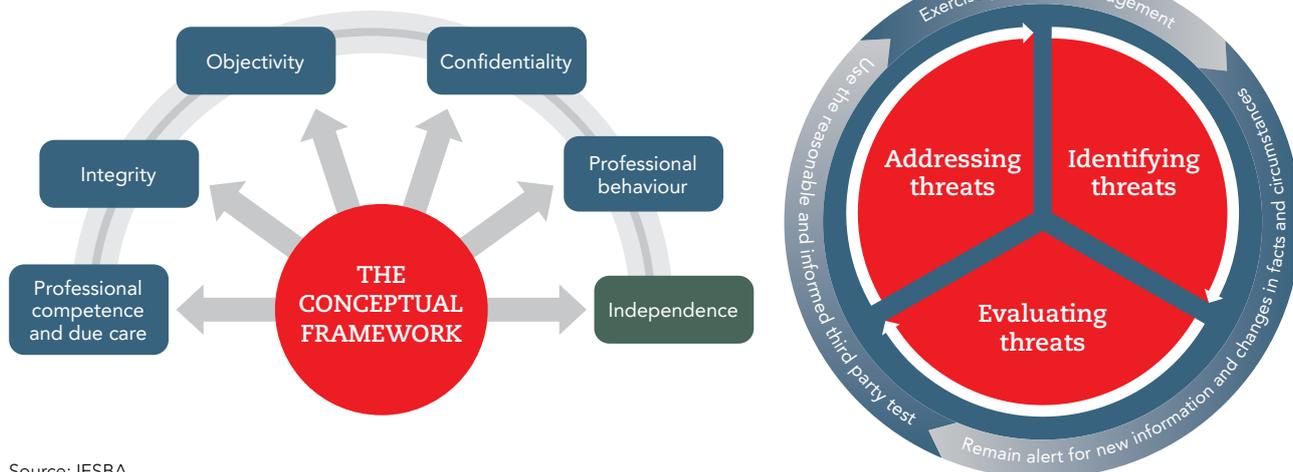
Therefore, each situation must be dealt with by the professional accountant according to its individual characteristics and safeguards then determined on the basis of this assessment. One factor that can be helpful when considering this assessment is the Reasonably

Informed Third Party (RITP) test. This test considers whether a reasonable and informed third party – and it is not mandatory that this individual is a professional accountant – would make a similar decision with the facts available at the time.

Types of threat

- **Self-interest threat:** the threat that a financial or other interest will inappropriately influence the professional accountant's judgment or behaviour
- **Self-review threat:** the threat that a professional accountant will not appropriately evaluate the results of their previous judgment or service performed by themselves, or by another individual within the professional accountant's firm or employing organisation, on which the accountant will rely when forming a judgment as part of providing a current service
- **Advocacy threat:** the threat that a professional accountant will promote a client's or employer's position to the point that the professional accountant's objectivity is compromised
- **Familiarity threat:** the threat that, owing to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work, and
- **Intimidation threat:** the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant.

FIGURE 3: An enhanced conceptual framework, IESBA



Source: IESBA

COVID-19 and the risk of compromise to ethics

This section provides eight examples of how the pandemic is increasing the risk of ethical compromise. These are intended as illustrations of risks that professional accountants need to guard against. Where references are made to certain threats or fundamental principles, these are not necessarily the only ones to consider.

'AS MANY CLIENTS BATTLE FOR SURVIVAL AND OTHERS LOOK TO RECOVERY, THE NEED TO NAVIGATE THE SUPPORT AVAILABLE FROM GOVERNMENTS MAY PLACE ACCOUNTANTS UNDER PRESSURE THAT THREATENS THE FUNDAMENTAL PRINCIPLES OF INTEGRITY AND OBJECTIVITY. THIS IS WHERE WORKING IN A COLLABORATIVE ENVIRONMENT WITH APPROPRIATE CONSULTATION CAN REALLY HELP ACCOUNTANTS UPHOLD THE ETHICAL PRINCIPLES.'

Robert Holland, partner, James Cowper Kreston and Chair Kreston International Quality Group

1. Time-constrained decision making

Given the vast amount of change that organisations have had to absorb very quickly, there is the risk that decisions will be made too quickly, without adequate consideration of risks and their implications; or made before adequate information becomes available. If there have been staff redundancies, decisions may be made by those lacking the training and experience to do so; this issue involves both capacity and capability.

This can create a self-review threat where the work done is not subjected to the usual standards of evaluation. Given that the pandemic has already been around for almost a year, there is also a risk that such practices could become embedded as business-as-usual unless challenged and changed. The principle of professional competence and due care is a mirror image of this issue, which requires the individuals completing the work to have the skills and competencies to do so.

2. Remote working

The employer must consider what is an appropriate level of staff tracking, balancing controls with privacy. With software tools, organisations can track how much time an employee is online, whether they are typing or idle, their location or even obtaining visual confirmation for certain roles, using the employee's webcam. Any such monitoring needs to consider the employee's knowledge and consent, and to be proportionate to the objective to be achieved.

There can also be ethical considerations linked to fair treatment of staff so that remote workers are not disadvantaged in relation to career opportunities.

This also includes considering that the role can reasonably be delivered remotely, and the employee has the skills (or can receive training) to do so. There is equally an obligation on the employee to ensure that they are honest in their dealings and do not, for example, misrepresent either their working hours to their employers or their billable hours to clients.

There are several fundamental principles that immediately apply when considering the above points. Confidentiality and professional behaviour are relevant to ensuring that any data on workforce monitoring, productivity and the associated analytics is handled in a sensitive way that is compliant with local laws. The pandemic has brought the role of digitisation to the fore, as noted in ACCA's report *Digitisation and the Global Pandemic*; and it is important that data collected isn't used to promote other agendas. Evaluating remote workers requires objectivity to ensure that the assessment is based on their performance in a fair manner. And integrity is essential to establishing a relationship of trust between employers, staff and clients – where each party believes that the others are doing as they claim.

3. Reducing staff size

Any exercise in downsizing the organisation needs to apply an ethical approach when determining which employees are to be made redundant, put on furlough or given other options. The familiarity factor can be a threat here when making such decisions.

And where employers are claiming funds for staff being furloughed, there could be ethical questions to consider if employees continue working on projects through informal support or working elsewhere. The principle of integrity is crucial, to guard against fraudulent access to funds to support cash-flow.

4. Assurance services

One of the commonly observed areas of concern about the conceptual framework is that of maintaining independence. While this is true for all, it has been particularly highlighted for small to medium-sized practices (SMPs) where the relationship can stretch into friendship at a personal level, or where the firm is viewed as a trusted friend for broader advice in difficult times.

Threats from familiarity with the client, and from self-interest if there is a close relationship with the client, can both be factors to guard against here. The threats can manifest themselves in various ways. For example, there may be a pressure to reduce fees, take late/instalment-based payments or other forms of implicit loans or waivers. This could translate into what is effectively an

intimidation threat that can affect competence and due care obligations if the same work is to be carried out with fewer resources.

'A POSITIVE IMPACT OF THE PANDEMIC HAS BEEN OUR ENHANCED ROLE AS TRUSTED PROVIDERS. HOWEVER, SOME BUSINESSES ARE FIGHTING TO SURVIVE, SO THIS CAN CREATE AN OBJECTIVITY RISK AS OUR MEMBERS HAVE BUILT STRONG RELATIONSHIPS WITH THEIR CLIENTS. BEING A QUALIFIED PROFESSIONAL ACCOUNTANT MAKES US DIFFERENT – SO IT IS VITAL TO FOLLOW THE CODE OF ETHICS.'

Stephen Heathcote, CEO, PrimeGlobal

One area where this pressure can manifest itself is inadequate documentation, and lack of professional scepticism and review by senior members of the team. This could result in situations where subsequent disclosure revealed issues, and full documentation of the discussion with the client, which might have revealed this sooner, was missed. Often this is not because the practitioner is unaware of the need for this, but because some procedures have been omitted owing to the pressures.

There may be a need to consider whether personal relationships mean that there is an element of emotional support that is also being offered that may challenge objectivity. Anecdotes suggest that going-concern checks, for example, have created some stress in relationships even though such checks may have been mandatory in the circumstances.

Requests for advice that constitute a broadening of scope to non-assurance services can also present a risk. This can be a factor to evaluate particularly carefully in the context of services provided by SMPs to their clients, which are often themselves small to medium-sized enterprises (SMEs). Such services can only be permitted in scenarios where the auditor can provide them without compromising independence, and where they have the skills to do so.

5. Presentation of financial information

The pressures on immediate cash flow and profitability cannot be allowed to cloud judgement on preparing and presenting information accurately, without misleading in any way. This challenge could arise when presenting paperwork to government agencies when seeking COVID-19-related funding. The advocacy threat can create the potential for biased information in this scenario.

Another scenario could be where issues stem from how information is disclosed to the wider marketplace, for example overstating future potential return on investment (ROI) of a capital project to balance the near-term unexpected disruption from the pandemic. Information must represent the true nature of business activities, and the fundamental principle of integrity of the professional accountant is critical to the trust in the entire financial ecosystem.

6. Increase in fraud

COVID-19 has caused a well-documented rise in various types of fraud. Cybersecurity concerns have been a significant priority and can take many forms. These could include identity theft, sale of fake goods online, hacking into networks and systems at a corporate level, etc. And this is before considering more traditional contenders that are also on the rise, such as insurance fraud.

The idea of safeguards mentioned earlier is relevant here, as policies and procedures for fraud may not have envisaged specific interventions needed to tackle, for example, the risk of data theft through mass homeworking by almost 100% of staff. Periodic fraud-risk assessments are needed in order to ensure that actions are being reconsidered and refreshed, possibly also leveraging insights from data analytics to help with targeting efforts.

There are capacity issues within organisations in dealing with this sudden spike, and when business continuity measures were established in the average organisation, no one envisaged a large-scale disruption due to a pandemic. For professional accountants, competence and due care are once again brought to the fore in assessing control and governance structures in the organisation and changing the latter quickly if the risks have changed. Also, the emphasis on personal integrity is clearly a given, when tackling such challenges.

At a more strategic level, it is vital to recognise the importance of shared common frameworks in enabling business decision makers to address the problems using common principles, which is in turn essential for a sustainable business recovery. An approach to this is provided by ACCA's report, *Tenets of Business Law: A Framework for the Future*.

7. Ethics across the supply chain

In general, suppliers are in a position of dependence on their customers and have less power in the relationship. And where the customer is a large company with a network of smaller independent suppliers this power imbalance can be even more pronounced. COVID-19 has

imposed severe cash-flow problems and smaller suppliers are even more vulnerable than larger ones. Against this backdrop, it is important to recognise the possibility of intimidation threat, for example if a professional accountant at an SME supplier is pressured to sign off on incomplete or misleading information that is needed to retain their significant customer.

There is also a role for professional accountants at larger organisations (such as the customer above) to go beyond paying lip service to the idea of sustainable business. Procurement is an area where an organisation can demonstrate purpose and social responsibility. This could be by not abandoning those in its supply chain during times of distress and providing support or reasonable terms of trading where possible. A green recovery can only occur when ethical behaviours are demonstrated across the supply chain.

On the flipside, some sectors and organisations have seen a significant increase in the demand for their services. There is nothing wrong in this per se, but it will be important for these stakeholders to avoid any suggestion of gross profiteering or exploitative (even if legal) practices during a time of hardship for the many.

8. Facilities management

While COVID-19 stubbornly refuses to recede, parallel planning and execution is occurring in limited degrees to ensure that some staff in certain industries can work from the office where deemed appropriate and necessary. These individuals are working to new guidelines, including those on social distancing, testing/hygiene, use of desk space/ meeting rooms, and other facilities.

Accountancy and finance professionals are not experts in these areas, but where they note a lack of adherence to required norms, they have a duty to address/report this. For finance leaders overseeing these areas as part of their wider remit, this may involve working with their general counsel and human resources staff to understand responsibilities and indeed liabilities, where employee well-being may be compromised by workplace inadequacies.

And where such matters cannot be resolved internally, there may be a case for considering provisions on non-compliance with laws and regulations (NOCLAR) in order to involve outside counsel. The fundamental principle of competence and due care is paramount here, given that this is an area beyond what many professional accountants may previously have routinely dealt with in their usual jobs.



**A GREEN RECOVERY
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Conclusion

Ethics are not a new agenda for professional accountants and have been hard coded into the way the profession operates since its inception. But COVID-19 has created new challenges that may risk compromising ethical behaviour.

While everyone is responsible for ethics, leaders have a key role to play because tone from the top really matters. Organisations look to their leaders to demonstrate authentically ethical, values-based leadership and transparency – doing so creates a cascading positive effect through the organisation.

Ultimately, keeping ethics at the forefront of one's consciousness is necessary so that the profession can play the role that society requires of it, both in these challenging times and beyond it.

