



# *Practising Ethics*

## WEBINAR 4

This webinar is designed for you to access once you have completed module four of the Ethics Learning Programme.

There are five webinars in total that complement the Ethics Learning Programme. Practising Ethics builds on previous knowledge, using a variety of ethical dilemmas intended to make you think.

## USING THE TRANSCRIPT

This document is designed to be printed and used to accompany Practising Ethics: Webinar 4. Whether you plan on studying on the train to work, or simply prefer to have a printed copy to hand, this guide is the ideal solution to complement your ethics and professional scepticism training.



You will often come across this discussion symbol within the transcript. At these points, the webinar presenter has either posed an ethical question or identified an ethical dilemma for you to think about in depth or discuss in groups. Use this as an opportunity to take a break from reading and carefully consider a response. By progressing through the Ethics Learning Programme and working your way through the webinar transcripts, you can practise your ethical skills before applying them in the workplace.

## USEFUL LINKS

Access the Practising Ethics webinars from the ethics tab in your [online training file](#)

Login to your [dashboard](#) to learn more on the ethics and professional scepticism element of the ACA.



‘When morality comes up against profit, it is seldom that profit loses.’

This series of webinars forms a workshop that fits around the six modules of the Ethics Learning Programme. The webinars should be completed on your own, or preferably, as a group. It provides the opportunity to put into practice some of the technical skills in the learning programme. Ideally, you should move to each webinar as and when you complete the relevant learning module. Each webinar will give a brief résumé of the learning module, worked examples of some of the principles involved, then a number of scenarios to help you identify key issues. Hopefully this will prepare you for the professional life ahead of you. No answers are provided here, as the scenarios are to be discussed as part of your six-monthly review process. They are to be used as vital practice. Or, you can ask your employer to discuss them at any time, and I’m sure they would be only too happy to oblige. When you see the discussion icon appear, take a minute to think about the question being asked and write down your thoughts in the notes section below.

## Notes

## Ethics Learning Programme 4

### Conflicts of interest

#### Principles at stake

- Integrity, objectivity and confidentiality

#### Types of conflict

Business vs. business	→	Two of your clients in competition or dispute
Firm vs. client	→	You in competition or dispute with your client
Actions required	→	Discuss the situation with the other party. Use safeguards to keep them happy

**If all else fails, resign to remove the conflict**

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The Ethics Learning Programme Four focuses on the specific issue of conflict of interest. The usual principles at stake here are:

- integrity, as openness is vital in order to avoid serious unrest;
- objectivity, the obvious one that drives you to be fair and unbiased, however favourable to you the outcomes might be; and
- confidentiality, as you may have access to information that the other party does not.

The two typical types of conflict you will come across are business v business, where two of your clients are either in competition for some business or in dispute, or firm v client, where it is your firm that may be in competition or dispute with one of your clients. These are not the only possible conflicts though, as there could also be a personal self-interest conflict, such as those MPs may have found themselves in when deciding whether to actually submit that claim for those beautiful wine glasses, or that vital ice cube tray. The actions are clear. Make sure everybody knows what the conflict is. Try to manage it through the use of safeguards, such as information barriers or confidentiality agreements, or, if all else fails, run. Yes, it may be necessary to back away from the conflict entirely by resigning from the assignment or the relationship.

#### Notes

## Other conflicts

**Shareholder vs. Manager**  
 Different goals and objectives  
 Profits, dividends, SP vs. salary, power and investment  
 Non-executive: can provide useful link

**Auditor vs. Consultant**  
 Different approach to the client  
 Realism, truth, fairness vs. relationship, income, growth

**Corporate vs. Individual**  
 Demand for lower-cost production in developing countries  
 Poor conditions, rights, pay, abuse  
 International ethical protection through Fair Trade



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Conflict as an issue arises frequently in any study of unethical acts. It is at the heart of ethics, in that most unethical acts are unethical because they conflict with the rights, fortunes, or prospects of different groups of people. Let's look at some other common conflicts. Shareholders and managers often have very different objectives for the business. Shareholders are looking at profit, dividend, sometimes long-term share price growth, whereas managers are individuals with their own needs, often for power, prestige and security.

Non-Executive Directors can sometimes be very effective here, as they are often external, independent and with less financial interest, and so, link the desires of the other two groups in a more constructive way. A very relevant issue today is the conflict within the profession itself, where a firm acts as an auditor, as well as, providing other consultancy services. Again, one demands realism, truth and fairness in the financial statements, the other looks to develop relationships, encourage growth and increased fee income. On a wider level, there is the classic abusive corporate conflict, where the demand for lower cost production, especially, but not only in developing countries has led to some pretty significant abuse. We've recently seen UK high street business criticised for encouraging overseas practises involving the use of child labour in poor working conditions, where the lack of basic humans rights becomes a real issue. The recent focus on fair trade provides some ethical protection to international traders by insisting on minimum prices, minimum acceptable working conditions and encouraging the general public's favour, such as overseas suppliers. Ok, back out of the office for another exciting example for discussion, involving everyone's favourite sport.

### Notes

## Example 5 – bad boys

You are the manager of the local football team, Hertlepool United, which has always struggled in the lower divisions, but has always prided itself on the very highest standards in terms of the codes of conducts applied to its players.

For example, drinking during the two days before a game is strictly forbidden and would result in a four-week suspension for the offending player. Following an injection of cash from a rich benefactor you are able to expand the size and quality of the team, which then reaches the final of the Johnstone Paints Trophy, by far the biggest game in the club's history. You hear that your three star players, without whom you would almost certainly lose the game, have been out drinking in town on the Thursday before the Saturday final.

**What do you do?**



discussion

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You are the manager of the local football team, Hertlepool United, which has always struggled in the lower divisions, but has always prided itself on the very highest standards in terms of the codes of conduct applied to its players. For example, drinking in the two days before a game is strictly forbidden and would result in a four week suspension for the offending player. Following an injection of cash from a rich benefactor, you're able to expand the size and quality of the team, which then reaches the final of the Johnstone Paints Trophy, by far the biggest game in the club's history. You hear that your three star players, without whom you would almost certainly lose the game, have been out drinking in town, on the Thursday prior to the Saturday final. What do you do?



**discussion**

**Notes**

## Principles at stake

Integrity, objectivity, professional behaviour

## Issues to consider

You need firstly to establish the facts about the players' conduct. Consider whether a player's private conduct is any business of the club?

You would need to refer to established policies and procedures, or contracted modes of behaviour. You will be disappointing thousands of paying fans – your customers and the lifeblood of the club. But, you should always uphold the rules, and treat all employees in the same way (the greatest good for the greatest number, remember?).

Ultimately you need to retain credibility by behaving consistently and ethically, even if it goes against the financial interests of the club.

## Actions

Only one action if guilty – uphold the rules

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The principles at stake are the integrity of management, the ability to remain objective when faced with actions that may harm the finances of the club in the short term and potential discredit that may arise if actions are deemed inappropriate and driven by self-interest. You will need to find out whether the players are actually guilty of the offence, and make sure that the offence is in fact a clear breach of the players' contracts. You will certainly disappoint the fans by upholding the rules, but most will agree that the long-term interest of the organisation are best served by the proper disciplinary process being followed, otherwise other people will feel able to flout the club rules.

Credibility through ethical behaviour is priceless in returning customer loyalty. So send them packing, teach them a lesson. Ok, here are three more scenarios to test your ability to rise above conflict and make your parents proud, but remember, tell the truth. Use these scenarios to finally purge those unethical urges inside you, because next time, it might be for real.

## Notes

## Scenario 10 – personal interest

As an FD in the public sector you have repeatedly argued to the board that the rigid, non-meritocratic pay structure in operation is preventing the recruitment of ambitious, skilled staff. To your great surprise, the board ask you to draw up a new scheme to solve this problem, and tell you that your own benefits package will be part of this new scheme. You rub your hands with glee, but then are uneasy and concerned when you realise that a significant increase in the whole range of benefits is required in order to achieve the board's objective.



**What would you do?**

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As an FD in the public sector, you have repeatedly argued to the board that the rigid, non-meritocratic pay structure in operation is preventing the recruitment of ambitious, skilled staff. To your great surprise, the board ask you to draw up a new scheme to solve this problem. They also tell you that your own benefits package will be part of this new scheme. You rub your hands with glee, but then feel uneasy and concerned when you realise that a significant increase in the whole range of benefits is required in order to achieve the board's objective. What would you do?



**discussion**

**Notes**

## Scenario 11 – deferred payment

You are a partner in a three-partner firm of accountants, generating annual fees of approximately £1.4 million. One of your largest clients is Flinders Ltd, which has been very successful and now turns over in excess of £15 million, with annual fees to you of £50k.

Recently Flinders suffered a significant bad debt which caused cash-flow problems, so you agreed to split your fee over 10 months. Their bank is now asking for audited accounts in order to decide whether to continue funding. When you review the audit file you see that there are serious going concern issues. Flinders still owes you £25,000.

**What would you do?**

Adapted from a CCAB case study, published November 2011



discussion

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You are a partner in a three-partner firm of accountants, generating annual fees of approximately £1.4m. One of your largest clients is Flinders Ltd, which has been very successful and now turns over in excess of £15m with annual fees to you of around £50,000. Recently Flinders Ltd suffered a significant bad debt which caused cash flow problems, so you agreed to split your fee over ten months. Their bank is now asking for audited accounts in order to decide whether to continue funding. When you review the audit file, you see that there are serious going concern issues. Flinders Ltd still owes you £25,000. What would you do?



discussion

Notes



## Scenario 12 – the non-executive director

You have been a non-exec director of two companies, Hartley Holdings and Poole Property, for 5 years. They have always been unrelated, but Hartley recently acquired another business in the property sector and is currently bidding for a significant contract in direct competition with Poole. Hartley's FD, with whom you have become friendly, has invited you to the Saturday of the Test Match against Australia at Lord's, including overnight accommodation in London and a meal in a well-respected restaurant, paid for by the company.



discussion

**What would you do?**

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You have been a Non-Executive Director of two companies, Hartley Holdings and Poole Property, for five years. They have always been unrelated, but Hartley recently acquired another business in the property sector, and is currently bidding for a significant contract in direct competition with Poole. The FD of Hartley Holding, with whom you've become friendly, has invited you to the test match against Australia at Lord's, including overnight accommodation in London, and a meal in a well-respected restaurant, paid for by the company. What do you do?



**discussion**

**Notes**



Right, you are nearly there. That is Ethics Learning Programme Four and its scenarios completed. Now move swiftly on to the Ethics Learning Programme Five and then Six, before returning to the last in this series of the Practising Ethics webinars. This is because Practising Ethics: Webinar 5 combines the content of ethics learning programme modules five and six. Remember, you may need to discuss or present your considerations on one or more of these scenarios with your employer at your next six-monthly review. Ensure you have notes, and have considered the principles at stake, the main considerations, and what actions you might take. After your review, remember to record the fact that you have discussed scenarios, in your training file and in the ethics section, as a record of your ethical progress.

## Notes