



Practising Ethics

WEBINAR 5

This webinar is designed for you to access once you have completed all of the modules 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



discussion

This document is designed to be printed and used to accompany the Practising Ethics: Webinar 5. 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.

Practising Ethics

Webinar 5



Right is right, and wrong is wrong, and a body ain't got no business doing wrong when he ain't ignorant and knows better

Mark Twain

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This series of webinars forms a workshop that fits around the six modules of the Ethics Learning Programme. The webinars should be completed either by individual students or preferably in groups. 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 help 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 5

Accountants in Public Practice

- Professional appointments
- Second opinions
- Fees, gifts and hospitality
- Advertising
- Custody of client assets

- Corporate finance
- Insolvency
- Tax and Assurance not covered



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Ethics Learning Programme Five and Six pick up the principles of the first four modules and apply them in situations specific to practice and business. So, in Ethics Learning Programme Five, you looked at:

- professional appointments, what to consider prior to taking new work, such as competency, resources, expert knowledge, or reputational damage;
- second opinions, looking at ethical threats such as professional competence, as well as the potential for legal action against you;
- fees, gifts and hospitality, setting appropriate fees relative to the assignment, controlling their collection to avoid conflict of interest, and ensuring that gifts offered or accepted also do not compromise your objectivity, and;
- advertising, which should be sensible and not discredit the profession, and custody of assets, to keep them separate; and whatever happens, not to lose them. Those very specific considerations relating to corporate finance, insolvency, tax and insurance, will not be covered by the attached scenarios.

Notes

Ethics Learning Programme 6

Accountants in Business

- Preparing financial information
- Acting with sufficient expertise
- Conflicts
- Financial interests and inducements

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In Ethics Learning Programme Six, you looked at accountants in business. The considerations here are very different to in practise, and you should remember that this is where around 65% of ICAEW's current membership reside. In business, your drivers may be less technical and more commercial, and you're generally working with non-accountants.

So, you looked at preparing financial information obviously, this must be done fairly, honestly and in accordance with the relevant accounting standards. Acting with sufficient expertise, which means only carrying out work you're capable of doing properly. Conflicts, where there may be specific pressure to mislead, for example, auditors and banks, in order to influence their behaviour, and financial interest and inducements, where there may be performance related bonus schemes or even share options, which all provide additional ethical temptation. I appreciate that at this point you have had a lot of information, so just sit back, relax and allow a refreshing wave of scenarios to engulf you and get you thinking, once again.

Notes

Scenario 13 – new tax dodging client

You are a partner in a small practice. Following a spate of client bankruptcies in the last year, your fee income has continued to fall. Then your fairy godmother arrives.

A growing business asks you to tender for their accounts prep, audit, tax and consultancy work. This is a potential life-saver – and you win the business. All goes well until one of your managers expresses concerns over the managing director's tax affairs. His salary is being paid into a Jersey trust and then sent back to him in the form of a loan, technically repayable on demand, and therefore not taxed in the UK. Your keen manager is determined to blow the whistle on what he perceives as an outrage.



discussion

What do you do?

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You are a partner in a small practice. Following a spate of client bankruptcies in the last year, your fee income has continued to fall. Then your fairy godmother arrives. A growing business asks you to tender for their accounts prep, audit, tax and consultancy work. This is a potential life-saver for your firm, and you win the business. All goes well until one of your managers expresses concerns over the managing director's tax affairs. His salary is being paid into a Jersey trust, and then sent back to him in the form of a loan, technically repayable on demand, therefore not taxed in the UK. Your keen manager is determined to blow the whistle on what he perceives as an outrage. What do you do?



discussion

Notes

Scenario 14 – board of governors

You have recently qualified when you are asked to sit on the Board of Governors at your three children's local primary school. You are made Head of the Finance Sub-Committee. Other governors include parents, council members and local businessmen. Item four this month concerns the need to upgrade the school's IT hardware, following adverse comments in a recent school report. It is vital to do this quickly to deliver the demands of an updated curriculum. One of the governors runs a local computer store and offers to do a quality job at a very reasonable price and at the convenience of the school, including at weekends if necessary. The board is ecstatic, and keen to accept his offer immediately.



What do you do?



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As a new ACA student, you have been asked to sit on the Board of Governors at the local primary school attended by your three children. You have been made head of the finance sub-committee. Other governors include parents, council members and local businessmen. 'Item four this month concerns the need to upgrade the school's IT hardware system, following adverse comments in a recent school report. It is vital to do this quickly, in order to deliver the demands of an updated curriculum.' One of the governors runs a local computer hardware store, and offers to do a quality job at a very reasonable price, and at the convenience of the school, including at weekends if necessary. The board is ecstatic, and keen to accept his offer immediately. What do you do?



discussion

Notes

Scenario 15 – goods received not invoiced

You have just become financial controller for a textiles business which buys raw material from overseas to produce embroidered products. These are sold to high-street shops. You are carrying out a Balance Sheet Review and you notice an unusual trend in Trade Creditors, the accrual for Goods Received Not Invoiced. This represents stock purchases, where the items have been physically received and taken into inventory, but no purchase invoices have yet been received from the supplier. It is now at a significant £80k. Enthusiastically, you point this out to the FD, your new manager and major shareholder who laughs almost hysterically in your face.

'You need to get real. If the supplier can't be bothered to send an invoice, do you think I'm going to drive round there and pick it up?'

When you point out that the accrual purely comprises receipts from one supplier he becomes more serious:

'I'll deal with it. You deal with the important numbers, and why not try to save or make us money instead of trying to give it away!'

You later discover that the supplier in question is a close friend and former business partner of the FD.

What do you do?



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You have just become Financial Controller of a medium-sized private business in the rag trade. The company buys raw towelling material from overseas and produces an embroidered, finished product, sold to high street retail outlets. You are carrying out a detailed balance sheet review in order to familiarise yourself with the financials, and you notice an unusual trend in trade creditors, in the accrual for goods received not invoiced. This represents stock purchases, where the items have been physically received and taken into inventory, but as yet, no purchase invoice has been received from the supplier. It is now at a significant £80,000. Enthusiastically, you point this out to the FD, your new boss, and he laughs, almost hysterically, in your face. 'I know you're just out of the profession, but you need to get real. If these idiots can't be bothered to send us an invoice, do you think I'm going to drive around there and pick it up?' When you point out that the accrual mainly comprises receipts from one supplier, he becomes more serious. 'I'll deal with it. You deal with the important numbers, and why not try to save, or make us money instead of trying to give it away!' You later discover that the supplier in question is a close friend and former business partner of the FD. What do you do?



discussion

Notes

Scenario 16 – policy change

You audit a private construction business turning over £50m and employing 130 people, the town's largest employer. They are a long-standing client with whom you have excellent relations, including social events, mainly with the FD. You recently helped out with free advice on negotiations with their bank and HMRC regarding their ongoing liquidity and funding position. The bank is uneasy with the business, and the sector in general, but will continue to offer support, so long as it maintains profitability and positive cash flow. During the audit, you discover that a number of accounting policies have changed, resulting in a higher reported profit. These include the treatment of stock items previously written off, the bases of stock and bad debt provisions, and the capitalisation of costs previously expensed. You do not agree with these changes, and consider them material and without which the demands of the bank would not be met. The FD pleads with you that such treatment *could* be acceptable, that without it 130 people will be jobless, and your audit practice £40k a year out of pocket.

What do you do?



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You audit a private construction business, turning over £50 million and employing 130 people, the town's largest employer. They are a long-standing client with whom you have had excellent relations, including social events, mainly with the FD. You recently helped out with free advice on negotiations with their bank and HMRC regarding their ongoing liquidity and funding position. The bank is uneasy with the business, and the sector in general, but will continue to offer support, so long as it maintains profitability and positive cash flow. During the audit, you discover that a number of accounting policies have changed, resulting in a higher reported profit. These include the treatment of stock items previously written off, the bases of stock and bad debt provisions, and the capitalisation of costs previously expensed. You do not agree with these changes and consider them material, and without which the demands of the bank would not be met. The FD pleads with you that such treatment could be acceptable, that without it, 130 people will be jobless and your audit practice £14,000 a year out of pocket. What do you do?



discussion

Notes

Scenario 17 – politics

The year-end accounts for a local authority have been prepared, and they will soon be adopted by the council, ready for audit. You are the head of social services finance, and you have become aware that some work has been performed by a consultant which has resulted in a proposal to close an elderly persons' care home. The council members want to suppress this information from becoming public knowledge because there is a forthcoming by-election in the electoral division where the care home is located.

The consultant has agreed not to submit the invoice for their fees, which are significant, until after the by-election. Normal accounting treatment would require the consultant's fees to be included as an expense in the accounts. Additionally, the estimated costs of the potential closure may need to be included as a provision in the accounts. The members will not make their decision known until after the by-election, which will be after the audit has been completed and the opinion signed.

What do you do?

Scenario taken from 'CCAB Ethical Dilemmas' April 2012



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The year-end accounts for a local authority have been prepared and they will soon be adopted by the council, ready for audit. You are the head of social services finance, and you have become aware that some work has been performed by a consultant which has resulted in a proposal to close an elderly persons' care home. The council members want to suppress this information from becoming public knowledge, because there is a forthcoming by-election in the electoral division where the care home is located. The consultant has agreed not to submit the invoice for their fees, which are significant, until after the by-election. Normal accounting treatment would require the consultant fees to be included as an expense in the accounts. Additionally, the estimated costs of the potential closure may need to be included as a provision in the accounts. The members will not make their decision known until after the by-election, which will be after the audit has completed, and the opinion signed. What do you do?



discussion

Notes

Scenario 18 – unscrupulous supplier

You are training with a large manufacturer of conveyor belts. As part of your training you are spending six months in the Purchasing/Purchase Ledger Dept, with responsibility for purchasing. You are proud to have established an excellent relationship with your main supplier of IT consumables, and they have sent you one or two quite nice gifts, even taking you out for a meal one day. After around six months their mood changes, and they inform you that what you have been doing is unethical, illegal and will lose you your job unless you order, immediately, an excessive number of expensive printer cartridges from them, which you do. Nobody notices, then one day the phone rings again, and it is your favourite supplier with another excessive demand, this time costing several thousand pounds.



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What do you do?

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You are training with a multi-million pound turnover manufacturer of conveyor belts. As part of your work experience you are spending six months in the purchasing/purchase ledger department with responsibility for ordering stationery and other items. You are proud of the fact that you have established an excellent relationship with your main supplier of IT consumables, and they have sent you one or two quite nice gifts, even taking you out for a lovely meal one day. After around six months their mood changes, and they inform you that what you have been doing is unethical, illegal and will lose you your job, unless you order, immediately, an excessive number of expensive printer cartridges from them, which you do. Nobody notices, then, one day, the phone rings again, and it's your favourite supplier with another excessive demand, this time costing several thousand pounds. What do you do?



discussion

Notes



Congratulations! You've now completed all of the Ethics Learning Programme modules, and in Practising Ethics, have hopefully gained useful practice in the application of some of those principles to your working and personal life. This, along with the assessment and the ethical steps in the professional development ladders should enable you to prove to your employer that you have indeed satisfied all of our ethical requirements at the end of your training period. Good luck with that one, but whatever happens, just keep doing the right thing, and if in doubt, ask.

Notes