



# Business Confidence and the Role of Ethics

Chartered Accountants\* are expected to demonstrate the highest standards of professional conduct and to take into consideration the public interest. Ethical behaviour by Chartered Accountants plays a vital role in ensuring public trust in financial reporting and business practices and upholding the reputation of the accountancy profession.

The Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics (the Code) helps members of the ICAEW to meet these obligations by providing them with fundamental principles and guidance to which they must adhere. It applies to all Institute members including students, member firms and their employees and governs conduct in all business and professional activities whether remunerated or voluntary. The current Code is effective from 1st September

2006 and is part of a broader range of activities undertaken by the Institute in order to help underpin business confidence.

## Overview of the ICAEW Code of Ethics

The Code of Ethics adopts a principles based approach which the Institute itself internationally pioneered. It is in line with the Code of the International Federation of Accountants (IFAC) but also includes additional guidance which further equips our members to deal with the challenges they face in their working lives.

The Code sets out five fundamental principles, the spirit of which must always be complied with.

## Fundamental Principles

### *Integrity*

A professional accountant\*\* should be straightforward and honest in all professional and business relationships.

### *Objectivity*

A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgements.

### *Professional Competence and Due Care*

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.

### *Confidentiality*

A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties.

### *Professional Behaviour*

A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession.

## Threats and Safeguards Approach

To comply with the Code, professional accountants are required to consider whether actions or relationships might constitute threats to their adherence to the fundamental principles and where these are significant, to implement safeguards. If effective safeguards are not possible, they are required to refrain from the action or relationship in question.

The potential threats to adherence to the fundamental principles arise from a broad range of circumstances but may include the following:

- a. **Self-interest** – which may occur as a result of the financial or other interests of a professional accountant or of an immediate or close family member;

\* The term 'Chartered Accountants' here refers to members of the Institute of Chartered Accountants in England and Wales.

\*\* The term 'professional accountant', in this document, refers to qualified and student Chartered Accountants and member firms and their employees.

## Threats and Safeguards Approach *continued*

- b. **Self-review** – which may occur when a previous judgement needs to be re-evaluated by the professional accountant responsible for that judgement;
- c. **Advocacy** – which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised;
- d. **Familiarity** – which may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others; and
- e. **Intimidation** – which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived.

The Code discusses the types of safeguards which might be applied to overcome these threats. These safeguards might be generic, created by the profession or regulation or developed in the working environment by the individual or their organisation.

## Guidance

The Code includes further guidance and case studies on the application of the fundamental principles to situations members might encounter. It includes sections of general application to all members, and others specific to the different roles typically undertaken by our members. For example, for those members working in businesses there is guidance on the preparation and reporting of information, financial interests, acting with sufficient expertise and inducements. For members working in public practice, there is guidance on professional appointments, conflicts of interest, fees and remuneration and independence in assurance engagements. The Code also includes specific guidance for members working in corporate finance and insolvency.

## Enforcing the Code

The ICAEW is committed to enforcing the Code through disciplining members who do not meet reasonable ethical and professional expectations of the public and other members. The Institute assesses all complaints to determine if they constitute a disciplinary matter. Failure to follow the Code may result in a member becoming liable to disciplinary action which ranges from fines to expulsion from the Institute with the loss of the right to call themselves a Chartered Accountant. In addition, findings of the main disciplinary actions are published.

The new ACA qualification gives greater prominence to ethics and makes it an integral part of the training and examinations for those wanting to become a Chartered Accountant. Following qualification, all working members are required to

conduct Continuing Professional Development to ensure they have the required knowledge and expertise to fulfil their roles and responsibilities ([www.icaew.com/cpd](http://www.icaew.com/cpd)). Members working in practice are subject to the Institute's Practice Assurance Scheme. All members have access to a range of further guidance and confidential helplines, including the opportunity to speak to other Chartered Accountants.

## Furthering the Ethical Approach to Business

The ICAEW also seeks to foster a responsible ethical approach to finance and business through its wider role as a commentator on key public policy issues. For example, the ICAEW was instrumental in developing the UK's first corporate governance codes and contributes to the development of international professional standards on auditing and learning. The Institute has convened the Audit Quality Forum ([www.icaew.com/auditquality](http://www.icaew.com/auditquality)) which brings together representatives from the audit profession, investors, business and regulators to discuss how best to promote high quality audit work.

The ICAEW also undertakes a full programme of policy representation and thought leadership in areas as diverse as corporate governance, taxation, financial management and information technology. Through its Information for Better Markets campaign ([www.icaew.com/bettermarkets](http://www.icaew.com/bettermarkets)) and publications such as Reporting with Integrity and Information for Markets and Society, the ICAEW seeks to influence and lead the debate on broad issues of public importance.

## About the ICAEW

As a world leading professional accountancy body, the ICAEW provides leadership and practical support to over 128,000 members in more than 140 countries, working with Government, regulators and industry in order to ensure the highest standards are maintained.

Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The ICAEW ensures these skills are constantly developed, recognised and valued. Because of us, people can do business with confidence.

The ICAEW is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

## Further Information

The Institute's full Code of Ethics is available for review or download at [www.icaew.com/ethics](http://www.icaew.com/ethics), together with more information on ethics. If you would like to discuss this further, please contact:

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