



# ***PROFESSIONAL AND BUSINESS ETHICS: AN EFFECTIVE APPROACH***

**Ethics is about principles, values and beliefs which influence judgement and guides behaviour. It goes beyond obeying laws, rules and regulations – it is about doing the right thing in the circumstances. Ethics is fundamental to establishing trust. The existence of trust is essential to relationships, business and society. It enhances the dependability of relationships, facilitates transactions and promotes the efficient allocation of resources.**

Ethical behaviour is particularly important to professions and to business:

- It matters to the professions because the complexity of what they do means that there has to be trust by the user in what they do, or they have no purpose.
- It matters to business because investors will not back a company that will not report fairly and customers, increasingly, will not buy from a business that is not acting in the public interest.

Deciding what the right thing to do is, can be challenging. We all face numerous personal, social and organisational pressures which influence our decisions and actions. Sometimes it is easy to assume that compliance with legislation, regulations and policies and procedures equates to doing the right thing. By its nature, a compliance approach to decision-making cannot cover all types of situations and eventualities. Even when a specific circumstance is addressed by the rules, compliance is often with the letter of the rule, not its spirit. What is needed is a principles-based approach to decision-making, which encourages deliberation, judgement and responsibility.

This is the approach taken by the Institute of Chartered Accountants in England and Wales (ICAEW or Institute) in its own Code of Ethics. Chartered accountants play a vital role in ensuring public trust in business reporting and practices and upholding the reputation of the accountancy profession. They are required to

comply with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Chartered accountants will have to consider whether a particular situation or relationship might constitute threats to adherence to the fundamental principles and where these are significant, safeguards will have to be implemented to eliminate the threats or reduce them to an acceptable level.

## **Flexible but robust**

The ICAEW pioneered the principles-based threats and safeguards approach to Codes of Ethics in the accountancy profession internationally. We believe that this approach is flexible but robust because it focuses on the spirit of the guidance and encourages responsibility and the exercise of professional judgement. The guidance can be applied to the infinite variations in circumstances that arise in practice and can be adapted to rapid changes of the modern business environment.

As well as including a framework for resolving ethical conflicts, the Code includes guidance and case studies on the application of the fundamental principles to situations chartered accountants might encounter.

We believe this approach is suitable for all kinds of professions and business.

## **Integrated**

The ICAEW believes that instilling ethical behaviour requires an integrated approach to ethics: having a Code of Ethics is not enough. Ethics needs to be integrated in training, development, support and enforcement.

## **Training and development**

The ACA qualification is unique in bringing together technical knowledge, practical application, work experience and best practice. Ethics is included in the four pillars of the ACA: examinations, initial professional development, structured training on ethics and work experience.

Once qualified, as part of their membership obligations, chartered accountants are required by the Institute's Continuing Professional Development (CPD) obligations to complete an annual declaration confirming that they have reviewed their training and development needs and have acted to address any requirements. This CPD programme is intended to encourage chartered accountants to reflect on what their ongoing training and development needs are in order to meet their responsibilities and public expectations. The CPD programme is, like the Institute's Code of Ethics, principles-based, flexible but robust.

## **Support**

When chartered accountants are in doubt as to their ethical position, they may seek advice from the Institute's free and confidential helplines. The Institute provides advice to its members via the Ethics Advisory Services helpline, anti-money laundering helpline and a

Support Member Scheme. The helplines are run by expert advisers while the Support Member Scheme is run by trained volunteer chartered accountants and is wider in scope than ethics.

## **Enforcement**

Reputation is all but can be marred by the actions of a few. The ICAEW is committed to enforcing the Code through disciplining those members who do not meet reasonable ethical and professional expectations of the public and other members. The Institute assesses all complaints regarding members, students and member firms to determine if they constitute a disciplinary matter. Failure to follow the Code may result in disciplinary action which ranges from fines to expulsion from the Institute with the loss of the right to use the title 'chartered accountant'. In addition, adverse findings of disciplinary investigations may be published.

## **Influential**

As well as promoting high standards of behaviour in the accounting profession, the Institute seeks to foster a responsible ethical approach to finance and business throughout the financial reporting chain in its wider role as a commentator on key public policy issues. In order to influence and advance the debate in ethics, the Institute undertakes a full programme of policy representation, research and thought leadership in ethics, ethical behavioural and public interest. Further information on the ICAEW's thought leadership initiatives can be found on the Institute's website at [www.icaew.com/thoughtleadership](http://www.icaew.com/thoughtleadership)

## **About the ICAEW**

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 150,000 chartered accountant members in over 160 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

## **Contact us**

Further information on the ICAEW's approach to ethics can be found at [www.icaew.com/ethics](http://www.icaew.com/ethics). If we can be of assistance or you would like to discuss any of the above, please contact us at [ethicspolicy@icaew.com](mailto:ethicspolicy@icaew.com).