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Search for ‘Ethics and The Power of One’ on icas.com to download this document free of charge.
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THE POWER OF ONE – THE CA AND THE ORGANISATION

CAs are required to comply with the five fundamental principles of the ICAS Code of Ethics - integrity, objectivity, professional competence and due care, confidentiality and professional behaviour - but as employees, partners or directors, CAs are also required to comply with the code of conduct and values of their respective organisations. Following on from ICAS’s “The Power of One – Organisational culture and values” publication, this paper seeks to align the ethical principles incumbent upon every CA with those organisational values. It concludes upon the fundamentally important role that ethics and the habits of individual CAs have in ensuring an appropriate culture within an organisation.

The Power of One

The power of the individual – “The Power of One” – cannot be underestimated and encapsulated within it is the ability to lead and influence others to do the right thing.

ICAS “The Power of One – Personal Responsibility and Ethical Leadership”

ICAS’ “The Power of One” initiative calls upon CAs to demonstrate ethical leadership and in so doing influence the business environment in which they work. Organisations often promote their organisational values, but there is a need for the individuals within organisations to actually live those ethical values. Values therefore need to be more than rhetoric - printed or spoken - they must be demonstrated every day in every way. It is the individuals within an organisation that shape its culture and that is where individual CAs in organisations – at all levels – are able to play an important role.

CAs are bound to the five fundamental ethics principles in the ICAS Code of Ethics. These are defined as follows:

(a) Integrity - To be straightforward and honest in all professional and business relationships.
(b) Objectivity - To not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
(c) Professional competence and due care - 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 and act diligently and in accordance with applicable professional standards.
(d) Confidentiality - To respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, 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, nor use the information for the personal advantage of the professional accountant or third parties.
(e) Professional behaviour - To comply with relevant laws and regulations and avoid any conduct that discredits the profession.
Each individual CA has personal responsibility for upholding these five fundamental ethics principles, and with that duty comes an obligation to challenge others when their behaviour is considered questionable. CAs therefore have a key role to play in challenging, influencing, and directing the culture within organisations.

**ICAS fundamental ethics principles and corporate values – a comparison**

Most listed companies and other large organisations identify their corporate values on their websites, and it is these corporate values that organisations often use to define their ‘corporate culture’, or at least the corporate culture they seek to emulate. However, following various corporate scandals, it has become questionable whether the reality of the corporate culture within some organisations reflects the rhetoric on their websites.

Indeed, in December 2016, the Institute of Business Ethics (IBE) published a report “Attitudes of the British Public to Business Ethics 2016”⁹. The report headlined: “For the first time in four years, less than half of the British public (48%) believe that British business is behaving ethically.” Although the IBE acknowledged that a change in survey methodology may account for some shift in perception, it reported: “In 2016, the perception of the general public is that British business behaviour is not as ethical as it has been in recent years.”

**Corporate values**

A review of the websites of 25 FTSE 100 companies was undertaken in late 2016 in order to identify the corporate values promoted by these organisations. The selection was not undertaken on a statistical basis but was designed to ensure that companies from different sectors were included.

Some companies’ values were easily found on their websites; others were not. Some companies published lots of information on their values; others did not. Nevertheless, a wide array of values were quoted by the organisations selected. Certain values were unique to individual companies, but there was also a great deal of common ground. In particular, a common theme was that the majority of organisations cited values which had some form of ethical connotation, for example through the following words:

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Balanced</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courage</td>
<td>Decent</td>
<td>Dependable</td>
</tr>
<tr>
<td>Do the right thing</td>
<td>Excellence</td>
<td>Fair dealing</td>
</tr>
<tr>
<td>Honesty</td>
<td>Honour</td>
<td>Integrity</td>
</tr>
<tr>
<td>Open</td>
<td>Quality</td>
<td>Reliable</td>
</tr>
<tr>
<td>Reputuation</td>
<td>Respect</td>
<td>Responsible</td>
</tr>
<tr>
<td>Service</td>
<td>Sustainable</td>
<td>Transparent</td>
</tr>
<tr>
<td>Trust</td>
<td>Truthful</td>
<td>Valued</td>
</tr>
</tbody>
</table>

**Corporate values and the ICAS fundamental ethics principles**

If one then examines the five ICAS fundamental ethics principles to assess how easily each of these would be applicable to individuals within the corporate entity, the following is noted:
<table>
<thead>
<tr>
<th>Fundamental principle</th>
<th>Applicability to individuals within a corporate entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>Integrity is seen as a core ethical corporate value. Therefore the value imposed on the professional accountant readily transfers to the corporate entity.</td>
</tr>
<tr>
<td><em>To be straightforward and honest in all professional and business relationships.</em></td>
<td></td>
</tr>
<tr>
<td>Objectivity</td>
<td>‘Objectivity’ was not a term specifically identified by any of the companies selected in the review process – although ‘fair dealing’ and ‘balanced’, were recognised as values by some. Objectivity, or being ‘free from bias’, could therefore, to some extent, also be equally applicable to the corporate entity. For example, individuals in corporate entities have to manage conflicts of interest, just as practising accountants do. They may also have to promote their organisation’s position, which could conflict with the principle of objectivity, however objectivity would generally not be compromised provided any statements made are not false or misleading. And so, whilst not necessarily seen as a key corporate value, we do not believe this would conflict with such a value being placed on individuals who work for an organisation.</td>
</tr>
<tr>
<td><em>To not allow bias, conflict of interest or undue influence of others to override professional or business judgements.</em></td>
<td></td>
</tr>
<tr>
<td>Professional competence and due care</td>
<td>Whilst professional competence and due care may be specifically aimed at the individual the meaning behind the value also applies equally to the corporate entity. One assessment of competence would be to expect the corporate entity to be producing or delivering services for which it had the appropriate capability and resources - one would not expect an organisation to be promising to deliver goods or services for which it did not have the capability. Companies should also be expected to act responsibly and exercise due care when selling goods and services, both in terms of quality (identified as a value above) and health and safety. Reliability and dependability were also values identified by some of our selected corporates – qualities which would also be expected of an individual CA.</td>
</tr>
<tr>
<td><em>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 and act diligently and in accordance with applicable professional standards.</em></td>
<td></td>
</tr>
<tr>
<td>Confidentiality</td>
<td>One would expect that companies would not divulge private information (e.g. personal details of customers) unless required to by law or other regulatory requirements. However, to be ‘open’ and ‘transparent’ were values identified by some of the selected corporates. So how does the concept of transparency sit with the concept of confidentiality? There is an increasing onus on companies to be more transparent, not just in relation to normal corporate financial communications, but on communications on many other subjects, such as their approach to corporate social responsibility. This is an area which will continue to evolve over time.</td>
</tr>
<tr>
<td><em>To respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, 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, nor use the information for the personal advantage of the professional accountant or third parties.</em></td>
<td></td>
</tr>
</tbody>
</table>
Fundamental principle | Applicability to individuals within a corporate entity
---|---
Professional behaviour  
*To comply with relevant laws and regulations and avoid any conduct that discredits the profession.*  | Professional behaviour has particular resonance for individual CAs. But, with increasing importance being placed by stakeholders on corporate responsibility, there is some merit in a corporate entity having values enshrining 'professionalism' such as the need for consideration of the public interest; providing a knowledge base to employees (training); and having codes of ethics or conduct. One also expects corporate entities to comply with applicable laws and regulations.

As has been seen from the above analysis, the ICAS fundamental ethics principles generally align, or at least are not inconsistent with, the values stated on a significant number of large corporate websites. One can therefore infer that if a CA takes individual responsibility for demonstrating good ethical behaviour in every aspect of his or her daily life this will not only reap benefits for the CA's own personal reputation, but also, by influencing those around them, the CA could assist organisations actually live the ethical values to which they aspire.

It is also of note that some companies highlighted the need for courage, and the safeguarding of the organisation's reputation. They identified that, when faced with difficult circumstances, courage is often required by individuals to stand up for what one believes in - to 'do the right thing'. There was also recognition that everyone in the organisation has a collective responsibility for protecting an organisation's reputation - that the consequences of an individual, or group of individuals, not 'doing the right thing' could bring an organisation's continued success, and indeed perhaps even its existence, into question.

"Personal Reputation" is discussed further in the ICAS paper published as part of ‘The Power of One’ series of papers on ethical leadership. And ICAS has also recognised the need for courage to act ethically. ICAS published its discussion paper “The Five Fundamental Ethics Principles: Time for Evaluation?” in conjunction with the launch its 'The Power of One' initiative in November 2015. This discussion paper recognised that often "doing the right thing" may not be easy and advocated that CAs need to have ‘moral courage’ in order to be able to uphold the five fundamental ethics principles. Indeed, in this discussion paper, ICAS proposed a new, additional fundamental ethics principle of ‘moral courage’ to specifically highlight that moral courage is the fortitude that CAs require to be able to uphold the other five ethics principles.

There was support for the concept of ‘moral courage’ from the respondents to the discussion paper, although the majority did not support its introduction as an additional fundamental ethics principle. ICAS therefore opted not to unilaterally include a new fundamental ethics principle of ‘moral courage’ into the Code, but has introduced the concept to the Code to reflect the ICAS belief that ‘moral courage’ is an underpinning qualitative characteristic required of a CA.
The Power of Many

*Neither by nature, then, nor contrary to nature do the virtues arise in us; nature gives us the capacity to receive them, and this capacity is brought to maturity by habit.*

Aristotle

The ICAS ethical pillars of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour should be inherent in everything a CA does. High standards of ethical or moral behaviour should be second nature to every CA – a habit - developed through hard work, attention to detail and continual practice.

Whether newly qualified, or on a Board of Directors, the small things that CAs do to demonstrate their personal ethics on a daily basis will be influential on those around them and could help set a standard for others. The CA doesn’t have to aim to change everything all at once; small steps at a time could be sufficient. But such small steps can have enormous power - they become a steady application of a small advantage and this brings bigger achievements within reach.

The CA is in a better position than most to be able to challenge, and influence, the behaviour of others. This is a very powerful quality and one which will help CAs assist with organisations living the ethical values that they state they wish to achieve, and in so doing help towards restoring the trust lost in business in recent years. Ethical principles upheld by one CA can influence many – indeed, The Power of One can become The Power of Many.

*ICAS calls on every CA to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations, to help re-establish ethics at the core of business practices and to rebuild public trust in business.*

ICAS: The Power of One®
ENDNOTES


