Personal Responsibility and Ethical Leadership
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THE POWER OF ONE – PERSONAL RESPONSIBILITY AND ETHICAL LEADERSHIP

Summary

• Chartered Accountants (CAs) have an important role to play in promoting ethical behaviour in the business community.

• A Chartered Accountant is more than just a professional qualification; it is a career for life. The personal benefits that such a career brings should not be regarded lightly nor should the responsibility that goes with it.

• Each individual Chartered Accountant has to take personal responsibility for the maintenance of the highest standards of ethical principles throughout their career and must also be cognisant of the fundamental requirement of the accountancy profession to act in the public interest.

• Chartered Accountants need to take the lead in relation to their own actions and challenge others when challenge is necessary. Chartered Accountants need to comply with the Code of Ethics in order to meet the obligations of their profession and are encouraged to take a leadership role in instilling those ethical values in the organisations in which they work.

A Proud History

ICAS began with just a group of eight individuals forming the Society of Accountants in Edinburgh. In 2014, we celebrated the 160th anniversary of the granting of its founding Charter, and there are now over 20,000 Chartered Accountants in 100 countries worldwide.

To be a Chartered Accountant, or CA, is more than just a professional qualification – it is a “career” for life. The ICAS Code of Ethics states:

“Professional accountants have a responsibility to take into consideration the public interest...and to maintain the reputation of the accountancy profession. Personal self-interest must not prevail over those duties.”

This extract highlights the role of the individual – the “personal” responsibility that every CA must take in order to live by the ethical principles of their professional Institute throughout their career.

The obligation is placed upon each and every CA to take individual responsibility for the maintenance of the highest standards of ethical principles throughout their career – safeguarding not only their own reputation, but also that of their organisation, and their profession, to the benefit of the public in general.

A Career for Life

One’s career as a CA can be divided into a number of segments, just as life can be broken down into a number of different stages. Key segments are training, post qualification, climbing the career ladder, serving clients or an employer, giving the benefit of accumulated knowledge back to society, and retirement. In all of these stages, which each of us can individually define, learning continues to a greater or lesser extent and all stages will have an impact on the individual CA, and the CA’s perception in the wider community. The ICAS Career Mentoring programme is a case in point. It has been created to assist CAs in their personal and professional development. It gives younger members the chance to connect with those who have already gone through what they are now experiencing, and it gives experienced members the opportunity to share their knowledge with those at an earlier stage in their CA journey.
A CA is more than just a qualification, it is a career for life. The personal benefits that such a career brings should not be regarded lightly, nor should the responsibility that goes with being a CA. The “CA” is not just an individual qualification or badge of honour. The “CA” is internationally recognised and respected – it is, in itself, a very precious and valuable brand. The CAs of today, and tomorrow, have a collective responsibility for the preservation and betterment of the CA brand and all it stands for.

**Ethical Obligations**

ICAS members have to comply with the five fundamental principles enshrined in its Code of Ethics (which is substantively based on the Code of Ethics published by the International Ethics Standards Board for Accountants (IESBA)). 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 action that discredits the profession.

We are also proposing the introduction of an additional fundamental principle, moral courage, as considered in the related discussion paper.

CAs must also be cognisant of the obligation to act in the public interest. Newly accepted members commit themselves to doing so by means of an ethical declaration at the ICAS Admissions Ceremony; and all members are required to make an annual written declaration to that effect. This forms our charter with society. (Appendix 1)

**Ethics and the profession**

The term “profession” or “professional” appears in the description of every principle – but what does the term actually mean in terms of the Code of Ethics? Colloquially, CAs working in the “profession” work in accountancy practices, distinct from those working in the wider business community. But the term “profession” in terms of the Code of Ethics is much broader – it is at the heart of what being a Chartered Accountant is all about. A literature review written by Ken McPhail for ICAS, “Ethics and the Individual Professional Accountant”, concluded that some of the main characteristics of a profession and professional were the following:

- The public interest
- Knowledge base (education and training)
- Independence
- Code of professional ethics.
Ethics and the characteristics of a profession, or being a professional, are therefore inextricably linked. In fact, McPhail quotes one writer (Abbott, 1983) as saying: “You can’t be a profession without having professional ethics.” Indeed, one could put this quote another way – you can’t be a professional without having professional ethics. Ethics is truly at the core of being a Chartered Accountant.

The Importance of Personal Responsibility

Individuals have personal values, guided by various factors throughout their lifetime; but, corporate entities also purport to have values defining the culture of the organisation. Corporate values often have ethical connotations, but it is the individuals working within those organisations who ultimately determine whether or not the ethical values which the organisation seeks to emulate are actually realised. It is the behaviour of individuals within organisations which is of fundamental importance.

CAs can be found in all walks of life and must take personal responsibility for the important role they have to play in business and society. A CA’s personal values and behaviour will be influenced by peers and also by the cultures of the organisations for which they work. But, while colleagues, friends, and employers may come and go, ICAS remains and a CA will always have a personal responsibility to uphold the core ethical principles at the heart of their professional qualification. A CA has a duty to live by the ICAS fundamental ethical values – ethics should be a habit ingrained into their daily lives. CAs must also have the moral courage to exert ethical leadership when changes in an organisation need to happen, or when inappropriate behaviour by others needs to be revealed or stopped. Clearly, the more senior the CA is in an organisation, the easier it will be to influence change, but every CA has their part to play.

In many corporate scandals the wrongdoing has been committed by certain individuals within the organisation, often encouraged by the culture and incentives operating within that organisation. The importance of personal responsibility of the individual cannot therefore be understated, especially where the culture and incentives might encourage an unethical course of action. As an illustration, one of the quotes from the June 2013 report of the UK Parliamentary Commission on Banking Standards into the financial crisis, “Changing Banking for Good”, was:

‘One of the most dismal features of the banking industry to emerge from our evidence was the striking limitation on the sense of personal responsibility and accountability of the leaders within the industry for the widespread failings and abuses over which they presided.’

The report then goes on to propose a new framework, heavily focussed on the individual. Time and time again, the words “personal responsibility” and “individual responsibility” are found in the recommendations, with the proposed approach also including recommendations on enforcement and sanctions against the individual, from fines to a prison sentence.

Members must be aware that professional accountants have been under the spotlight in recent years, in both industry and practice, and some have been the subject of investigation by the Financial Reporting Council. A distinguished career can easily be shattered by acting inappropriately or by failing to seek to prevent others from acting inappropriately.

The impact on the individual of such a scenario can be catastrophic. The aim therefore has to be to seek to ensure that such a situation never arises. This obviously involves the person themselves ensuring that they behave appropriately at all times, but also that they seek to influence the behaviour of others where possible. ICAS, as the collective body for individual members, also has a key role in regulating and supporting its members in meeting these responsibilities.
Leadership and personal responsibility

Cowardice asks the question, ‘Is it safe?’
Expediency asks the question, ‘Is it politic?’
Vanity asks the question, ‘Is it popular?’ But
Conscience asks the question, ‘Is it right?’

CAs have a world-recognised qualification that should provide the confidence to guide and influence others in both financial and ethical matters. It should also, most importantly, give them the knowledge, confidence, and courage to challenge where appropriate i.e. is this the “right” way to be doing business? If we all adopt this approach then there should be associated long-lasting ethical and reputational benefits to an organisation. Whilst there is a need to establish an appropriate “tone at the top”, it is equally important for this tone to be cascaded down through the rest of the organisation and embraced by all those who work in the organisation.

The concept that everyone can “take a lead” is true in many respects. Leadership in ethical matters does not only relate to those at the top of an organisation. Every CA should see themselves as a leader, regardless of whether they are just starting in their career or have many years of post-qualification experience.

Appropriate challenge can also help organisations innovate more effectively. For example, such an approach has been widely adopted in the airline industry, where it has been recognised that first officers need to be able to challenge the pilot of a flight and the captain needs to be receptive to such challenges being made. After all, it is in no-one’s interest on the plane for matters to be ignored which might impact upon the flight’s safety.

Robust challenge must be seen as healthy and positive in relation to organisational culture. People need to take the lead and be able to speak their mind, within reason, for the good of the organisation. “Challenge” should not be resented.

In the shorter-term, such a task may be easier for individuals who are in senior management roles as they are able to exert greater influence on how an organisation is run and how it interacts with the outside world. However, those in all areas within a business have the ability to influence all of those with whom they interrelate.

Individuals, and particularly CAs, should have the confidence to speak out and influence the culture of organisations in which they work, to ensure that the organisation interacts with all of its stakeholder groups in an ethical manner. This is something that is very important, both for the individual and for the organisation concerned. Individuals must take the lead in relation to their own actions and challenge when challenge is necessary. CAs need to be their own leaders in ethical behaviour in order to meet their professional obligations. CAs must lead and champion the ICAS ethical values – the foundations for trust.

Re-emphasise what ‘CA’ stands for

How we as CAs are perceived by our peers and the public at large is defined by what we do, how we do it, and how we treat other people. How we are perceived is very important – it helps define the standing of the CA brand, it helps define the habits and behaviour of those CAs we are involved with, and finally – and most importantly – it should and will have a bearing on the wider business and community we interact with on a daily basis.

“Integrity has no need of rules”. 8
The law cannot be used as an excuse for behaviour that is best described as questionable, nor can compliance with the written word of ethical standards, as opposed to the spirit of the standards. CAs are often in business roles that require leadership – they need to exercise professional judgement on a daily basis. When ethical matters are involved, judgement should not be clouded by purely short-term commercial considerations or personal gain.

We must re-emphasise our ethics and values, and remember that each individual should seek to set an example that our peers would be proud to be associated with. Individuals are shaped by many influences throughout their careers: their own personal values; their profession; the organisation for which they work and their peers. As each individual CA progresses throughout their career, they can increasingly exert ethical leadership in their particular environments.

CAs have an important role to play in promoting ethical behaviour in the business community. Regardless of whether a CA is newly qualified or has many years of experience, the five fundamental principles in the ICAS Code of Ethics – integrity; objectivity; professional competence and due care; confidentiality and professional behaviour – should direct our individual behaviour and be at the heart of everything we do.

The term Chartered Accountant, or CA, still has the same resonance as was envisioned over 160 years ago. It represents an individual who demonstrates the highest standards of professionalism and ethical principles to the benefit of both business and society as a whole. It is a mark of professional distinction. The obligation is therefore placed by society upon each and every CA to live up to the charter they have been given by society. The obligation is placed upon each and every CA to “Make a Difference”.

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. May all members take up this leadership challenge to instil the spirit of our profession across the whole business community.
APPENDIX 1

New Members – Ethical Declaration
The ICAS ethical declaration was introduced in 2012 for newly qualified members attending the Annual Admissions Ceremony. The wording was determined by the Ethics Committee and members of the ICAS executive and staff.

“As a CA, I commit myself to acting in the public interest and will conduct myself with integrity, objectivity and in accordance with the high ethical standards of ICAS.”

New CA members attending the Admissions Ceremony are asked to stand and recite this commitment.

All Members – Annual Ethical Declaration – Annual Return
Each member is asked to provide an annual affirmation (see below) as part of their Annual Return, of high level principles of membership. This mandatory declaration is part of a wider focus on professionalism and the importance of maintaining high ethical standards and technical competency in the public interest. This ethical declaration is similar in nature to the one given by new members. It again makes reference to “acting in the public interest”.

“I declare that I will conduct myself in a manner that maintains and enhances my own professional reputation, and that of my fellow members and ICAS.

As a CA, I commit to:
• Acting in the public interest.
• Conducting myself with integrity, objectivity, and high ethical standards, in keeping with the ICAS Code of Ethics.
• Abiding by the rules and regulations.
• Giving due consideration to the guidance and recommended good practice issued by ICAS.

I commit to maintaining a programme of continuous learning which is relevant to my professional development and current responsibilities (unless you have signed the ‘Exemption from CPD for Fully Retired Members’).”