

PROFESSIONAL ACCOUNTANTS IN IRELAND AND NORTHERN IRELAND

Ethics Research Report

Ethical awareness, challenges, concerns and decision making



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2019

Acknowledgments

We would like to acknowledge the Chartered Accountants Ireland Education Trust for its support of this research project. We thank Chartered Accountants Ireland and CPA Ireland for their active participation and assistance in providing contacts. In addition, Chartered Accountants Ireland were very helpful in making available important resources, such as premises to enable us to carry out our work. We are grateful to Niall Fitzgerald, Head of Ethics and Governance at Chartered Accountants Ireland for his invaluable work in coordinating and facilitating our project work programme. We appreciate the thoughtful contributions of all the persons who accepted our invitation to participate in the research – respondents to the online survey, members of the various focus groups we convened, and individual interviewees.

Preface

The Chartered Accountants Ireland Educational Trust (CAIET) is an independent body, registered under the Charities Act. The principal objects of CAIET are to further and develop the science of accountancy in all its branches and to promote educational facilities for the teaching of the science and practice of accountancy, auditing, finance and other related subjects.

The Trustees consider high standards of personal, business and professional ethics as a fundamental cornerstone of the science of accounting and were therefore pleased to provide financial assistance for this research project. The scope of the research sought to examine the ethical awareness, challenges and concerns of Professional Accountants and identify some of their motivations and influences in relation to ethics, including the guidance provided by their professional bodies.

We are pleased that the researchers, Matt Kavanagh and Dr Eleanor O'Higgins, collaborated with Executives and members of a number of Professional Bodies in order to ensure that the primary research

was informed by accountancy practitioners in both Business and Practice. Their work was complemented by the support of Níall Fitzgerald FCA, Head of Ethics and Governance, Chartered Accountants Ireland and there was active engagement with a number of other stakeholders, including regulators. The significant level of engagement by members of Professional Bodies across a range of sectors and at various stages in their career is testimony to the level of interest in the subject matter.

On behalf of my fellow Trustees, I would like to record our sincere thanks to all involved in contributing to and participating in this very insightful and thought-provoking research project. Our hope is that the findings will make a significant contribution to promoting further discussion about ethics by all involved in the accountancy profession. In particular, we hope that the recommendations in this report assist Professional Bodies to better understand, support and facilitate their members in meeting expected professional standards and responding appropriately to ethical dilemmas they may encounter throughout their careers.

Jim Aiken, FCA

Chair

Chartered Accountants Ireland Educational Trust

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1 Executive Summary

RESEARCH OBJECTIVES AND RESEARCH DESIGN:

The overall purpose of this research was to understand the level of ethical awareness, the types of ethical dilemmas encountered, the challenges and concerns for Professional Accountants, the role of ethics in decision making and the nature of interaction with ethical codes, amongst Professional Accountants who are members of a Professional Body in Ireland or Northern Ireland.

The research commenced with a secondary research study in January 2018, which reviewed the existing ethics literature, and this was used to inform the key themes to be explored in our primary research. Our primary research consisted of an online survey undertaken in March and April 2018; and individual structured interviews and focus groups, completed between August and October 2018.

The online survey was sent to 22,149 professional accountants in Ireland. A total of 2,137 valid responses were received with 70 per cent or 1,496 responses coming from Professional Accountants based in Ireland. This represents a response rate from the targeted sample of Professional Accountants in Ireland of 6.7 per cent. The remaining respondents are made up of 13 per cent of the total responses, coming from Professional Accountants in Northern Ireland (or 278 respondents), and 17 per cent from the rest of the world, including the United Kingdom (at 6 per cent). The overall margin of error for the online survey is plus or minus 2 per cent.

KEY RESEARCH FINDINGS, INCLUDE:

1. The ethical awareness, challenges and concerns facing Professional Accountants.

Key research findings include:

- Professional Accountants generally describe their own organisation as being highly ethical and supportive in encouraging ethical conduct.
- There is a perception among Professional Accountants in smaller Practices, that they are treated more harshly by those charged with enforcement, compliance and regulation, compared to professional colleagues in larger practices.

2. The motivations and influences in relation to ethics in carrying on the profession:

Key research findings include:

- Professional Accountants in Business are less likely to have regular contact with their Professional Body compared with Professional Accountants in Practice.
- Some Professional Accountants are reluctant to contact their own Professional Body for support and guidance on ethical issues, given their Professional Body's role in regulation and compliance.
- Professional Accountants in smaller accounting practices are much more likely to consult their Professional Body in relation to ethics compared to other professional colleagues, in either business or in larger practices.
- There appears to be a correlation between levels of familiarity and the perceived adequacy of the disciplinary process. For example, 51 per cent of Professional Accountants in Practice, describe

themselves as being either very or familiar with the process, with 69 per cent of Professional Accountants in Practice perceiving the disciplinary process as being very adequate or adequate.

3. The types of ethical dilemmas which Professional Accountants encounter in practice and business and how they deal with them.

Key research findings include:

- 94 per cent of Professional Accountants, who responded to the research survey, reported observing or encountering some level of unethical behaviour during their professional career. The Top six most frequently observed or encountered of these include:

- **Unethical human resource practice**
- **Undue pressure/influence**
- **Dishonesty**
- **Bullying and harassment**
- **Misrepresentation of information**
- **Manipulation of information**

[Note: Observing or encountering such conduct, does not mean that those respondents either condone or have participated in such conduct.]

- Professional Accountants prefer “true to life” examples and case studies, which allow them to consider ethical dilemmas in practical ways, relevant to their own experience.

4. The role ethics plays in the formation and maintenance of professional competences of Professional Accountants.

Key research findings include:

- There is a disconnect between higher perceived levels of ethics within a Professional Accountant’s organisation and the levels of ethics training provided, the overall level of support for ethics in

those organisations and the extent to which ethics is a key consideration in decision making. The levels of the latter three were not as high as you would expect, given the higher perceived level of ethics within a Professional Accountant’s organisation overall.

- Professional Accountants prefer online ethics training to be provided by both their own organisation and their Professional Body, as an effective means of providing guidance and support on ethics. However, participants recognised the need for discussion to resolve complex ethical issues.

- Many Professional Accountants have a preference for some form of mandatory ethics continuous educational development (CPD).

5. The level of interaction which Professional Accountants’ have with codes of ethics.

Key research findings include:

- Large accounting practices and listed or large private companies are more likely to consult their own internal supports, including colleagues or their own code of ethics in addressing ethical matters.

- Overall, approximately 45 per cent of Professional Accountants, who responded to the research survey, have ever consulted the professional Code of Ethics, at some point in their professional career.

Of those who consulted the code:

- 50 per cent of those respondents consider the code extremely or very useful;
- 42 per cent considered the code somewhat useful, and;
- 8 per cent considered the code neither useful nor helpful.

RECOMMENDATIONS FROM THE RESEARCH INCLUDE:

1. Develop databank of practical case studies based on real life ethical scenarios. Seven recommendations are proposed including:

- Encourage Professional Accountants to engage with those aspects of organisational culture, which best support ethical conduct. This would be positive means of identifying practical solutions of how ethical issues can be resolved. For example, the case studies can highlight situations where ethics is expected to be a key consideration, or, the case study can illustrate a number of ways to consider whether organisational culture reflects the stated ethical culture of the organisation.

2. Establish ethical role models.

- Creating ethical awareness and encouraging ethical behaviour by inviting those within an organisation to identify individuals within the organisation, or elsewhere, whom they consider to be 'role models' for ethical conduct. This can help to identify potential allies with whom to engage, as a means of most effectively addressing an ethical issue.

3. Introduce a mandatory, but accessible, ethics component to Continuous Professional Development (CPD) or post qualification training requirements.

Two recommendations are proposed including:

- Ensuring that any introduction of a mandatory ethics CPD requirement is combined with the availability of a range of accessible online ethics training modules that enable Professional Accountants to meet their obligations.

4. Ensure training for accounting students and Professional Accountants contains relevant and insightful ethics content.

Four recommendations are proposed including:

- Include a tailored offering to address the differing needs for the various types of Professional Accountants; for example, the following supports could be provided:

— **Sole practitioners:** This may include the provision of online ethics courses and integrated ethics training.

— **Professional Accountants in Business (smaller organisations):** Training can also provide access to informal professional networks to counter a perceived isolation from other professional colleagues. Training should communicate the confidential nature of the services provided by the Professional Body, or other sources of support, to counter reluctance by some Professional Accountants to engage with their Professional Body for ethical support and guidance.

5. Improve engagement with Professional Accountants in relation to their professional ethics.

Two recommendations are proposed including:

- Identifying different ways to communicate the outcomes of disciplinary processes which are undertaken in relation to unethical conduct as a means of driving the perceived levels of adequacy and perceptions of transparency of this process among Professional Accountants.

6. Develop professional networking opportunities in relation to ethics for potentially more isolated Professional Accountants.

- Considering ways in which potentially isolated Professional Accountants, e.g. those in small organisations, can be put in contact with other professional colleagues in their locality in order to provide a means of practical support. This could be achieved through the development of informal online and or face-to-face meeting opportunities,

or through the development of formal or informal mentoring networks across different geographical areas.

7. Develop practical supports to assist Professional Accountants in effectively addressing ethical issues.

Three recommendations are proposed including:

- Developing a short guide as a means of improving the accessibility of the professional Code of Ethics in order to address some of the obstacles cited in the research by Professional Accountants who found its use unhelpful.

8. Provide a confidential Professional Body 'live' support service.

Two recommendations are proposed including:

- Further promoting the 'live' support, e.g. helplines that already exist for Professional Accountants. The promotion of same may highlight the benefit of such support to those who rely on 'internal supports' within organisations and may be seeking an impartial and external perspective. Such an approach can be useful to counter the potential for either 'isolation or group think' which can sometimes emerge, where there is an overreliance on 'internal supports', as a means of addressing ethical issues.

9. Improve understanding of Professional Bodies role in providing ethics support to members.

Two recommendations are proposed including:

- Communicate clearly to Professional Accountants, the distinction between the Professional Body's role in supporting members and their role in regulating conduct. Professional Bodies should set out clear parameters whereby members can effectively engage with them to ensure their interaction is both effective and confidential.

10. Tailor ethics supports to improve access to Professional Body's Code of Ethics.

Four recommendations are proposed including:

- Ensuring that a diverse range of ethics supports linked to improving access to the Professional Body's Code of Ethics are available to cater to Professional Accountants working in various sectors and industries. Currently, those most likely to benefit from supports are the Professional Body's Code of Ethics most frequent users, i.e. sole practitioners and those practices with 2 – 20 partners.

2 Introduction and Overview

INTRODUCTION

The overall purpose of this project was to advance accountancy as a profession in Ireland and Northern Ireland, underpinned by ethics, meaning that ethical practices and education are embedded in the profession. Secondary research was conducted to inform primary research. The primary research objectives included:

- To understand the ethical awareness, challenges and concerns facing Professional Accountants*;
- To explore some of the motivations and influences of Professional Accountants in relation to ethics in carrying on the profession;
- To recognise the types of ethical dilemmas which Professional Accountants encounter in practice and business and how they deal with them;
- To identify whether and how ethics plays a part in the formation and maintenance of professional competences of Professional Accountants;
- To understand the level of interaction which Professional Accountants' have with codes of ethics.

The foundation of our research is the recognition of the hallmarks of a profession:

- A common body of knowledge;
- A certification system, i.e. structured educational and training route to achieving a professional qualification;
- Use of specialised knowledge for the public good;
- A code of ethics.

**Throughout this report we refer to those who have obtained a professional qualification from a recognised professional accounting body ** as a "Professional Accountant" or "Professional Accountants".*

***There is a choice of terminology available to describe*

an accountancy body, e.g. 'Prescribed Accountancy

Body' per Companies Act 2014 (Ireland), Recognised Qualifying Bodies per Companies Act 2006 in a Statutory Audit context (UK) and Professional Accountancy Organisations (used commonly in an international context). For the purpose of this accountancy profession focused research, these bodies are referred to throughout the report as a "Professional Body" or "Professional Bodies".

SECONDARY RESEARCH— INFORMING PRIMARY RESEARCH:

Secondary research was conducted to identify the issues studied in professional accounting ethics internationally and in Ireland and Northern Ireland. Sources for secondary research included scholarly journal articles, survey reports, codes and some newspaper items. The conclusions from secondary research informed the primary research design, outlined below, and also informed some of the following key themes for us to consider:

(I) Subject matter - Accounting scholarship has concentrated on the accounting profession, auditing and education. A number of studies and surveys by Professional Bodies have attempted to identify the pressures facing Professional Accountants in meeting ethical standards and the source of these pressures. These have primarily been based on Professional Accountants in Business rather than in Practice.

(II) Education and formation - Studies of the effects of including ethics content in accounting education curricula have shown that there is little or no effect, but it may depend on context, and situational circumstances. More needs to be known by taking a finer grained approach in analysing effects of

education. It is found that technical rules content overwhelmingly predominates ethics modules in accounting.

(III) Research methods - Those investigations which provide more valuable contributions employ open-ended questions. Also, we need more information about contingencies in terms of more categories and situational factors, e.g. different age groups and employment settings such as business versus practice, to interpret surveys.

(IV) Codes - Codes of ethics or conduct are narratives by which professions seek to legitimise themselves, signalling members' competence and integrity. Conduct tends to be prescriptive by stipulating or prohibiting specific behaviours, with rules-based prescriptions, arguably the formalisation of policy and a regulatory document, even when there is also a principles based section. In contrast, ethics codes would be statements of values or principles. Moreover, it is argued that technique and efficiency are considered more important in the relationship between the professional and their client rather than character and ethics. This is reflected in training and curricula in accounting.

The working code of ethics for members of a Professional Body, who are members of the International Federation of Accountants (IFAC)¹, is founded on global standards, based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants™ ('IESBA Code') at 188 pages. Professional Bodies must, at a minimum, embody the requirements of

the IESBA Code as part of their own local code of ethics. For example, Chartered Accountants Ireland Code of Ethics 2, currently 181 pages, and the Certified Public Accountants in Ireland Code of Ethics 3 which runs to 145 pages. International studies show that most Professional Bodies have reframed the mainly prescriptive IESBA code into more summarised sizes of an average of 29 pages containing reference to the full IESBA Code where further detail can be sought on the summarised requirements.

(V) Public interest - An issue that has arisen in the accounting literature is the nebulousness of the 'public interest' concept.

RESEARCH DESIGN

Insights obtained from secondary research also informed our research design resulting in three phases:

- (I) An online survey, followed by
- (II) Individual structured interviews, and
- (III) Focus groups.

The purpose of the online survey was to answer the 'what' with regard to Professional Accountants and their interactions with the topic of ethics, in their professional lives.

The purpose of the open-ended section in the survey, which generated verbatim comments, the individual structured interviews and the focus groups is to provide the 'why', i.e. a possible interpretation as to why Professional Accountants behave the way they do, when it comes to ethics, in their profession.

¹ International Ethics Standards Board 2016, Handbook of the Code of Ethics for Professional Accountants – 2016 Edition, International Federation of Accountants, accessed 15th June 2017, < <https://www.ethicsboard.org/iesba-code>>.

² Chartered Accountants Ireland 2016, Code of Ethics – (Amended 30 September 2016), Chartered Accountants Ireland, accessed 15th June 2017, < <https://www.charteredaccountants.ie/docs/default-source/technical-documents/chartered-accountants-ireland-code-of-ethics-for-members---30-september-2016.pdf?sfvrsn=2>>

³ Certified Public Accountants in Ireland, CPA Code of Ethics – June 2016, CPA Ireland, accessed on 15th June 2017, < <https://www.cpaireland.ie/CPAIreland/media/Professional-Standards/Technical%20Resources/Ethics/cpa-code-of-ethics-june-2016.pdf>>.

(I) Online survey:

A number of Professional Bodies in Ireland were invited to participate in the research. They were not all in a position to participate. Of the Professional Bodies that did participate there were sufficient responses received from members of Chartered Accountants Ireland and Certified Public Accountants Ireland (CPA Ireland) to be included in the analysis of the survey. For the Republic of Ireland the membership of the participating Professional Bodies, for which sufficient responses were received from their members, represented at least 58 per cent of the reported⁴ total population of Professional Accountants as at 31st December 2017 (see fig 2.1).

Professional Accountants in Northern Ireland were also included in the research, however, as there are no reported statistics specifically for this jurisdiction (they are included in statistics reported for the UK as a whole), we are unable to provide similar information as that provided for Republic of Ireland in fig 2.1 below.

In total 2,137 completed surveys were received, which represented 86 per cent from Chartered Accountants Ireland members and 14 per cent from CPA Ireland members. This accurately represents the overall

global profile of members within each of these two Professional Bodies, so no weighting was required.

The margin of error for our on-line survey is + or - 2 per cent. The survey was comprised of five sections:

- Profile of respondents;
- Ethical awareness and practical experience with ethical issues;
- Ethics training and support;
- Awareness, access to and usage of the professional code of ethics and related disciplinary matters;
- Reactions to initiatives to build ethical awareness.

Open-Ended Section / Verbatim Comments:

In addition, the survey invited respondents to submit any further observations or comments with the following:

'Is there anything else that could be done, in your opinion, to improve the understanding and adoption of ethical practices in the accountancy profession?'

As already discussed, our secondary research suggests that more open-ended questions on surveys, supplemented by structured interviews and/or focus groups yield more substantial insights. The use of a mixed methods design of this kind offers convergent validity and assisted in overcoming response bias.

921 respondents provided a substantive response (i.e.

Fig 2.1 - Reported number of Professional Accountants as at 31st December 2017:

Total in Republic of Ireland	38,008
<i>Professional Bodies participating in the Research:</i>	
Chartered Accountants Ireland	18,204
CPA Ireland	3,945
Total Participating Ireland	22,149
Other Professional Bodies total	15,859

Source: "Profile of the Profession 2017" published by IAASA

more than a three or four word response that made a specific point, observation or criticism). This level of response, at 43 per cent of total responses 2,137, is a substantial response to an open-ended question. Those 921 responses, translated into just over 1,200 specific observations.

Table 2.1 below provides a summary of how we categorised the responses following a detailed analysis. Further details of the results of this analysis is provided, alongside analysis of the structured interview and focus group feedback, in the main body of this report.

Table 2.1 - Categorisation of verbatim comments received from survey respondents.

Category	No of observations
Supports required. Including: <ul style="list-style-type: none"> • Improved communications /awareness building (90) • Real life case studies (69) • Online supports (67) • More publications (44) • Continuous Professional Development (CPD) (32) • General / miscellaneous^ (242) 	544
Enforcement and make ethics training mandatory: <ul style="list-style-type: none"> • Sanctions severity (73) • Sanctions reporting and publications (45) • Ethics CPD requirement (61) • General / miscellaneous^ (47) 	226
General / miscellaneous^: Incomplete or non-specific comments	185
General operating environment and the Profession:	109
Specific comments related to Professional Bodies:	71
Specific comments on culture:	14
Examples of unethical behaviours:	13
Comments on online survey:	13
Comments on helpline / confidential contact:	10
General / miscellaneous^, specific comments:	19
TOTAL	1204

^General / miscellaneous represents the number of verbatim comments received, in relation to a category, covering a diverse range of relevant points of view, observations or criticisms with no one strong category or universal theme arising.

⁴ Irish Auditing & Accounting Supervisory Authority (IAASA), 2018, Profile of the Profession 2017, IAASA, accessed on 12th March 2018, < <https://www.iaasa.ie/getmedia/62799cc3-8a6a-4bee-8805-ab0497595523/Profile2017.pdf> >

(II) Individual structured interviews:

A total of eight individual structured interviews were held with randomly selected people in the following categories: Professional Accountants in Business, partners or principals in Practice from sole practitioner, medium sized firm and large practice (includes Big Four firm), Professional Accountants employed in practice, regulators and helpline personnel from Professional Bodies.

In all cases, interviewees were presented with relevant results of the online survey research and questioned about their interpretations of these results, based on their own knowledge and experience.

(III) Focus groups:

Three focus groups were held with an average of 10 randomly selected participants. The focus groups comprised:

- a) Professional Accountants in Business
- b) Professional Accountants in Practice
- c) Recently qualified Professional

As with individual interviews, participants were presented with results of the survey research and invited to discuss their interpretations of these results. Discussions took place under the following headings:

- Business / professional ethics in general;
- Types of ethical issues observed and/or encountered;
- Ethics training;
- Ethics supports, advice and guidance;
- Ethics in decision making;
- Role of Professional Body in promoting ethics.

WHAT DO WE MEAN BY

Note: Definitions are for the purpose of this research and may not be universal.

Professional Accountants in Practice

A member of a Professional Body who either holds a 'Practice Certificate' or works in a Public Practice. Note, for the purposes of this research, our definition differs slightly from that of the Professional Bodies insofar as we categorise those employed in practice within this category. Where relevant we will distinguish between positions held in practice, e.g. partner, principal, employed in practice, etc.. Note that Public Practice means providing or holding out to provide personally and directly accountancy and/or related services to the public. A 'Practice Certificate' is a specific licence required by Professional Accountants from their regulatory body (usually their Professional Body) if they wish to hold certain positions within, or to be an owner of a Public Practice.

Professional Accountant in Business

A member of a Professional Body who neither holds a Practice Certificate or works in a Public Practice but works at any level of an organisation in any sector across industry, commerce or academe, e.g. Private, Public, Charity or Not-for-Profit. The category covers Professional Accountants working in a remunerated, unremunerated, voluntary, executive or non-executive capacity.

Large Practice

For the purposes of this research we categorised any Public Practice with 20 or more partners/directors as a Large Practice. This category also includes the Big Four.

Recently qualified Professional Accountant

For the purposes of this research we categorised any Professional Accountant, whether in Business or in Practice, with one or more but less than five years, post-qualification experience as recently qualified.

INTERPRETING RESEARCH RESULTS:

We used the verbatim comments obtained from the results of the online survey (see (I) above), the results of the individual structured interviews (see (II) above) and results of the focus groups ((see (III) above), to assist with interpretation of responses to other sections within the online survey. For clarity, we note the following basis for the insights, including any quotes or interview extracts, shared within this report:

• Verbatim comments:

In certain sections we categorised each type of verbatim comment, where the volume was sufficient, and summarised these with a 'headline or key theme' which is representative overall of those comments. For each 'key theme' we have summarised the comments to illustrate the finding and, in some cases, have reproduced examples (quotation) of verbatim comments received that support the key theme. The other purpose of paraphrasing the verbatim comments, or reproducing individual comments, is to illustrate the fact that contrasting, and sometimes contradictory, attitudes and opinions exist within the membership of Professional Bodies.

• Quotations:

Where we have directly reproduced a verbatim comment or comment made during a focus group or interview, we may have anonymised the comment so as not to identify a particular Professional Body or organisation. Where a comment is directly reproduced it is identifiable by quotation marks and italics. Where required, additional context may have been added and this is clearly indicated with square brackets. It should be noted that verbatim comments represent the views, perceptions and attitudes of respondents and the fact that they have been reproduced is not an attestation of factual accuracy in all instances.

• Interviews:

As described as part of our research design, a number of individual structured interviews were held. One interview, that of Mr Kevin Prendergast, the Chief Executive the Irish Accounting and Auditing Standards Authority (IAASA) [speaking in a personal capacity] is reproduced as part of this report. Other interviews, including an interview with Mr Aidan Lambe, Director of Professional Standards in Chartered Accountants Ireland, and the views expressed are either paraphrased or reproduced (and attributed) throughout this report. Overall the individual structured interviews were key to better understanding and interpreting the overall research results.

• Focus Groups:

The views expressed by each group were very useful in better understanding the environment within which Professional Accountants in Practice, Professional Accountants in Business and more recently qualified Professional Accountants operate in. The Groups were also important as an aid to interpreting key findings from this research.

3 Ethics - challenges and concerns:

OVERVIEW - CHALLENGES AND CONCERNS:

From an analysis of the verbatim comments there were 109 specific observations which identified challenges and concerns within the profession generally, and the general operating environment within which Professional Accountants operate. There were also 74 specific observations which identified challenges and concerns for the Professional Bodies. A number of additional challenges and concerns emerged from individual structured interviews and also from focus group discussions. Please refer to the Introduction and Overview for more details on research design and the basis, in part, used for interpreting research results.

GENERAL OPERATING ENVIRONMENT – CHALLENGES AND CONCERNS:

Fig 3.1 and Fig 3.2 below provide further analysis of the 109 specific observations, which referenced 'challenges and concerns' in describing the profession generally and the environment within which Professional Accountants' operate.

- I. Perception small practices treated harshly
- II. Trust in the profession tarnished
- III. About actual conduct not the Code
- IV. Lots of tokenism

Fig 3.1: Common perceptions arising in relation to challenges and concerns for ethics in the general operating environment of Professional Accountants. Further detail provided in narrative below.

I. Perception small accounting practices are treated more harshly, compared with larger practices, in relation to enforcement and compliance:

This was a strong view arising from results. There were a number of perceptions cited as the reason for holding this view, for example, the "lack of

competition among the big 4 audit practices and conflict of interest in the provision of non-audit services" was stated as being an obvious ethical dilemma that has not been adequately addressed to date. This contrasts with views from regulators and the Professional Bodies who state that there is ongoing action to address this issue. Meanwhile, smaller accounting practices feel they are being "held to account" to a greater extent and that "the profession apply rules selectively and therefore open themselves to acceptable criticism". Another example

of a shared perception was that larger practices have too much *'influence'* over the *"disciplinary process"* with some feeling that this process needs to be more independent and show clearly to *"all accountants that the same rules and standards are applied equally to everyone"*.

A sentiment that also came through from smaller accounting practices and sole practitioners was that nobody wants to lose a client, not even a large practice. However, some felt that Professional Bodies are harder on smaller practices when it comes to discipline and would expect them to say 'no' to the provision of services to a client, who may be a small business, and also subject to harsh disciplinary action due to a relatively minor issue. It was felt, that such an approach, does not take into account the extent of the damage wrought in the course of misconduct in auditing a big systemically important client, having much greater consequences, than minor mistakes or even misdemeanours of smaller audit practices with smaller clients.

II. Trust in profession tarnished by perceived lack of response to unethical behaviour in run up to financial crisis:

The sentiment came across from some survey respondents and other research participants that *"the reputation of [Professional Bodies] is tarnished by their response to the unethical behaviour of members in the lead up to the most recent financial crises."* Some shared the belief that the Professional Bodies *"need to be seen to act decisively and proportionately when unethical behaviour is uncovered"*. As may be expected, certain cases were cited as supporting this belief, including the lack of visible disciplinary action against Professional Accountants culpable in the Irish banking crisis. One Professional Body reported, in relation to certain actions, accepting a request from Ireland's Office of the Director of Public Prosecutions (DPP) not to continue with disciplinary processes, until such

time, as the various criminal cases were concluded. However, notwithstanding any legal reasons provided, there is a belief that trust in the profession has been damaged due to the lack of any vocal response to the issues.

III. It has to be about actual conduct not the rules or the Code:

There was a sense from some survey respondents and other research participants that the *"real problem is not about lack of guidelines, but rather about ignoring [them]"*. The belief that some hold up the Code of Ethics, which is important, but then fail to practice what they preach came through in a number of instances. Some emphasised the need for Professional Accountants to *"live the rules not just recite them"*. The concern was that there can be *"too much emphasis on appearing to do the right thing yet actually (in real life) not doing the right thing"*. This came through strongly and is evident again later in the report when analysing insights into supports used by Professional Accountants and the preference for practical case studies that illustrate examples of how to deal with typical real life scenarios, rather than just referring to sections of a code of ethics.

IV. There is a lot of tokenism when it comes to ethics:

A number of concerns were raised that are captured by the comment, *"ethics has in the past been treated as more of a marginal thing, rather than at the core of accountancy"*. Many felt that the challenge for the profession is to really apply ethics in practice rather than refer to the word "ethics", "tick the box" and then move on. An example of feedback received along these lines includes: *"Ethics needs to be applied in practice, with transgressions penalised, rather than merely alluded to in passing"*.

- V. Ethics core to the profession
- VI. 'Airy Fairy' ignores commercial reality
- VII. Issue 'overstated' /current standards sufficient
- VIII. Profession should stand up for business
- IX. Awareness no guarantee of ethical conduct
- X. Culture and values are key

Fig 3.2: Further common perceptions arising in relation to challenges and concerns for ethics in the general operating environment of Professional Accountants. Further detail provided in narrative below

V. Ethics core to the profession:

Many comments received expressed the importance of ethics for the profession, e.g. *It helps build trust with our clients and third parties and without it our profession will not have the high regard it does*".

A number of survey respondents and other research participants shared a common view that *"there is already a strong understanding and adoption of ethical procedures within the accountancy profession"*.

A number shared a view relating to actions required by Professional Accountants, including for example, *"keep emphasising importance of ethics at all given opportunities"* and *"the importance of being ethical needs to be clearly demonstrated in all we do"*.

VI. Ethics 'Airy Fairy' ignores commercial reality:

Views were expressed that were critical of how ethics is applied or referred to within the profession, for example, *"ethics is generally seen as airy-fairy desire of professional bodies and often ignored /bent in commercial reality"*. Some shared a belief that the agenda for ethics *"is set by academics and*

bureaucrats with little day to day experience of real-world scenarios". A number of insights highlighted that Professional Accountants need to be practical and more emphasis is needed on the practical application of ethics.

As highlighted above in relation the perception of some small practices, that there is an impression *"that ethics is about beating up the practitioner"*. Some respondents and research participants from smaller practices did state that they might be more open to clients' needs and their clients were more likely to ask them to 'bend the rules', although all asserted that they did not accede to these requests, nor did any colleagues they knew, no matter how 'hungry for business' they might be. There was a general feeling that smaller practices with small clients have fewer rules to worry about, since they do not deal with publicly quoted companies which are subject to more extensive regulation and oversight. However, as indicated, these smaller practices are subject to the same Code of Ethics and feel the rules are applied in a harsher way to smaller practices.

VII. Issue is overstated / current standards sufficient:

Some survey respondents and research participants shared the belief that “ethics are about the person and how they do their job” and that “*you [including Professional Bodies, regulators, etc.] can’t stand over everyone.*” While some considered that “*the Issue [of unethical conduct] is overstated*”, “*the current situation is adequate*” and that “*current standards and information [are] sufficient*”. Others considered that it is down to individuals themselves who are “*largely self-responsible for their own honesty and moral compass*” when it comes to engaging in ethical or unethical conduct.

Some shared the view, notwithstanding the Professional Accountants Code of Ethics, that ethics can be considered personal “*and people cannot be made understand*”. Other comments supporting these views included the belief that “*enough is being done and it is down to the individual at the end of the day*” with some sharing the view that when it comes to codes and standards, “*most of the ethical practices are covered in detail and if not, there is always another colleague etc.*”

VIII. Professional Bodies should stand up more for business:

In some cases, comments highlighted the belief that there needs to be “*far less micromanagement of members by the [Professional Bodies]*” and that Professional Accountants “*are professional ladies and gentlemen*” capable of and self-motivated to behave in an ethical manner. There was a desire in some instances for Professional Bodies to “*stand up more for business*”, indicating that perhaps there was already sufficient emphasis on ethics.

IX. Awareness is no guarantee of ethical conduct:

There were a number of suggestions that there is now a greater awareness of ethical issues in the accounting profession, perhaps as a reaction to high profile wrongdoings indicated by Professional Bodies and regulators. However, some believed that this awareness, on its own, is insufficient to guarantee ethical behaviour.

X. Culture and values are key:

In some instances there was an emphasis that ethics is fundamental, i.e. inherently doing the right thing, in all activity of Professional Accountants, not just in response to regulations. Research participants shared the belief that behaviour should be based on the right values or principles rather than just compliance. The concept of culture came up repeatedly, especially in the context that ethics needs to be part-and-parcel of the everyday life of an organisation, in both business and practice.

PROFESSIONAL BODIES – CHALLENGES AND CONCERNS:

Fig 3.3 below provides further analysis of the 74 specific observations, which referenced 'Professional Bodies' in the context of describing challenges and concerns.

- I. Professional Bodies need to act against unethical conduct
- II. Professional Bodies need to be more supportive of members
- III. Professional Bodies are doing a good job on promoting ethics
- IV. Professional Bodies need to do more
- V. Aggressive tax planning and ethics
- VI. Obligation to act in the public interest
- VII. Professional Accountants in Business feel more isolated
- VIII. Larger practices less likely to accede to undue pressure

Fig 3.3: Common perceptions arising in relation to challenges and concerns for Professional Bodies in relation to ethics. Further detail provided in narrative below.

I. Professional Bodies need to act against unethical conduct:

A number of survey respondents and research participants shared the view that there is a need for *“Increased evidence of action taken against members acting unethically”*. Some of the comments associated with this view echoed sentiments expressed in relation to “Trust in the profession” above, including *“Professional Body needs to ensure that these actions [associated with recent banking crises] are properly investigated”* and that *“Greater sanctions should be imposed”* against those who engaged in unethical transgressions. Comments made highlighted the opinion of some that Professional Bodies have no voice when it comes to ethics and are *“very poor at articulating its position and in talking about our recent ethical disasters.”*

II. Professional Bodies need to be more supportive of members:

There was a common theme arising from comments that *“[Professional] Accountants need support from their Professional Body rather than the threat of investigation, discipline and sanction.”* This sentiment echoed in a number of comments, for example, *“[Professional Body] is more interested in hammering practitioners for breaches which in most cases are as a result of an error”* and *“There is a general impression that ethics is about beating up the practitioner”* or that the *“perception of regulatory /disciplinary regime is that it's too extreme and lacks balance in dealing with cases (i.e. too punitive).”*

III. Professional Bodies are doing a good job on promoting ethics:

In contrast to the views above, some comments show a level of support for what the Professional Bodies are doing to promote ethics. As an example, one comment read *"I am a [Professional] Accountant for 50 years. The ethical standards of [my Professional Body] and the leading firms of practitioners in Ireland has made me very proud to be a [Professional Accountant]."* Other examples where this feeling came across includes; *"I believe that some Professional Bodies are extremely strong on ethics"* and in relation to whether disciplinary action taken by Professional Bodies is sufficient, *"I also believe that the sanctions available when the ethical rules are broken, are sufficient to deter the majority of members from transgressing"*. Some comments did qualify their points pointing out in general there can be some cases where they believe *"some sanctions appear to have been watered down"*.

Also in contrast to commentary that Professional Bodies are not doing enough, there are a number of comments like, for example, *"Ethics has been well promoted both by my Professional Body and my organisation"* and *"[Our Professional Body] has always instilled the importance of Ethics in our profession"*.

IV. Professional Bodies need to do more:

Commentary also arose highlighting the belief that the Professional Bodies need to do more in relation to ethics. There were interesting views shared that Professional Bodies themselves should be more accountable for their action or inaction in this area, for example, *"I fear the Professional Bodies do not hold themselves accountable and light regulation will always cause ethical [challenges]."* Views that certain brands of Professional Accountants can be seen *"as elitist and protective of unethical behaviour, especially within larger corporates and large accounting and tax practices"* highlighted how members of different

Professional Bodies working in certain types of organisations can be perceived differently.

V. Aggressive tax planning and ethics:

While there were examples of other professional activities highlighted, e.g. audit, tax planning arose in commentary on a sufficient number of occasions to warrant it categorised as a "key theme" of its own. Tax is an activity that many Professional Accountants engage in, or with, whether in business or in practice. A number of comments share the concern that *"the [Professional] Accountant today is known for 'tax dodging' and getting around the rules"*. Views shared the challenge for Professional Accountants to consider the ethics around tax planning as *"hiding behind legal advice is not ethical"*. Another example of comments that share these sentiments included, *"Aggressive tax planning is not ethical. How can an accountant be ethical and at the same time, fulfil a perceived duty to the client to minimise their tax?"* The latter sentiment highlights a challenge for Professional Bodies to promote the importance of considering a Professional Accountants duty to their clients and whether it extends further than *"Statements on aggressive tax avoidance"* and that advice should cover the ethical considerations in addition to the legal. A number of comments shared the difficulties in this area in practice and also the difficulty with education or CPD around tax planning where an ethics course encouraging participants *"to act in spirit of legislation"* can be undermined *"immediately afterwards, [by a lecture with the] explicit goal to [show how to] pay the minimum legal requirement."*

VI. Obligation to act in the public interest:

Some survey respondents and other research participants highlighted that there should be an awareness of the Professional Accountant's obligation to society, especially in larger practices which are

involved with public interest entities and many stakeholders. In particular, partners of practices have a huge responsibility to do the right thing and lead by example. The point arose that that being a Professional Accountant is considered to be a very privileged position and highlighted the public interest being central to the professions existence. It is difficult to achieve the qualification to become a Professional Accountant and the examinations are not easy. Therefore, why would a Professional Accountant want to jeopardise that position with unethical behaviour? In similar vein, personal pride and safeguarding one's own reputation were emphasised as other rational deterrents to unethical behaviour.

Overall, when questioned in person about the notion of acting in the public interest as part of being a professional, research participants found this to be a nebulous concept. When it comes to decision making, "*you act for your client*", in matters like tax planning. Some, mainly more recently qualified Professional Accountants, were of the view that the more recently qualified you are then the more you may be "*switched on*" about ethics compared to those who have been in the profession longer. They took the view that more experienced Professional Accountants are more influenced by loyalty and familiarity with the client and this may take precedence in decision making. They believe that more recently qualified Professional Accountants are more conscious of accountability for their actions and the consequences of wrongdoing. Interestingly, as we will see from survey results later in this report, it appears that more experienced Professional Accountants do exhibit more awareness of ethical issues, possibly due to exposure to them over time.

VII. Professional Accountants in Business feel more isolated:

A number of comments highlighted a common perception that some Professional Accountants in Business consider themselves to be more isolated compared to their professional colleagues in

practice. It may be due to the fact that Professional Accountants in Practice are directly involved in the provision of accountancy related services directly to the public and therefore subject to certain regulation, which does not apply to those in Business. As a result, Professional Accountants in Practice have more cause to engage with their Professional Body in order to keep abreast of relevant regulation, training, etc. Professional Accountants in Business may also feel more isolated in that they may be the only Professional Accountant in their organisation, e.g. a small to medium sized business (SME's), and will not have the benefit and support of a professional network which those in Practice have access to. Also, Professional Accountants in Business may work for SME's that may lack the ethics support structure such as training and codes of conduct, which larger organisations usually have.

VIII. Larger practices less likely to accede to undue pressure:

In response to current pressure on Big Four practices which have recently been subject to high profile admonishment and penalties in the United Kingdom, it was pointed out that the Irish partnerships of international practices try to stay independent and distance themselves from foreign scandals involving their brand. At the same time, they may avail of the international resources offered by a large established partnership, especially on technical accounting matters. It was suggested by participants from larger practices that partners may be under less pressure to accede to clients' demands that could in any way be interpreted as a threat to independence or objectivity, since no client would form a material percentage of the practice's business.

4 Ethics: Support, training and role in decision-making within organisations

OVERVIEW

The purpose of this section is to set out the:

(I) levels of ethics reported in organisations by Professional Accountants;

then to compare and contrast these findings with:

(II) perceptions of support for ethics in their organisation;

(III) experience of ethics training in their organisation;

(IV) consideration of ethics in decision making and their perception of it within their organisation.

Overall there appears to be some 'disconnect' between the very high levels of ethics reported in organisations overall; with the levels of perceived support for ethics, the extent to which ethics is a component of training and the extent to which ethics is a key consideration in decision making, both by individual Professional Accountants and their organisations.

(I) Perceived levels of ethics in organisations:

84 per cent of Professional Accountants consider their organisation to be very strongly or strongly ethical when provided with a number of options ranging from very strongly unethical to very strongly ethical **to describe their organisation's ethical conduct.**

84% of respondents describe their own organisation to be 'very strongly or strongly ethical'

This is made up of 93 per cent of Professional Accountants in Practice having this view compared with 81 per cent of those in Business. By comparison 5 per cent of Professional Accountants who responded, described their organisation to be neither ethical or

unethical; or somewhat or strongly unethical. This cohort was made up of 6 per cent of Professional Accountants in Business and 4 per cent of those in Practice.

Overall 10 per cent of respondents describe their organisation to be only 'somewhat ethical', broken down as 13 per cent of Professional Accountants in Business and 4 per cent of those in Practice, who responded describe their own organisation as being 'somewhat ethical':

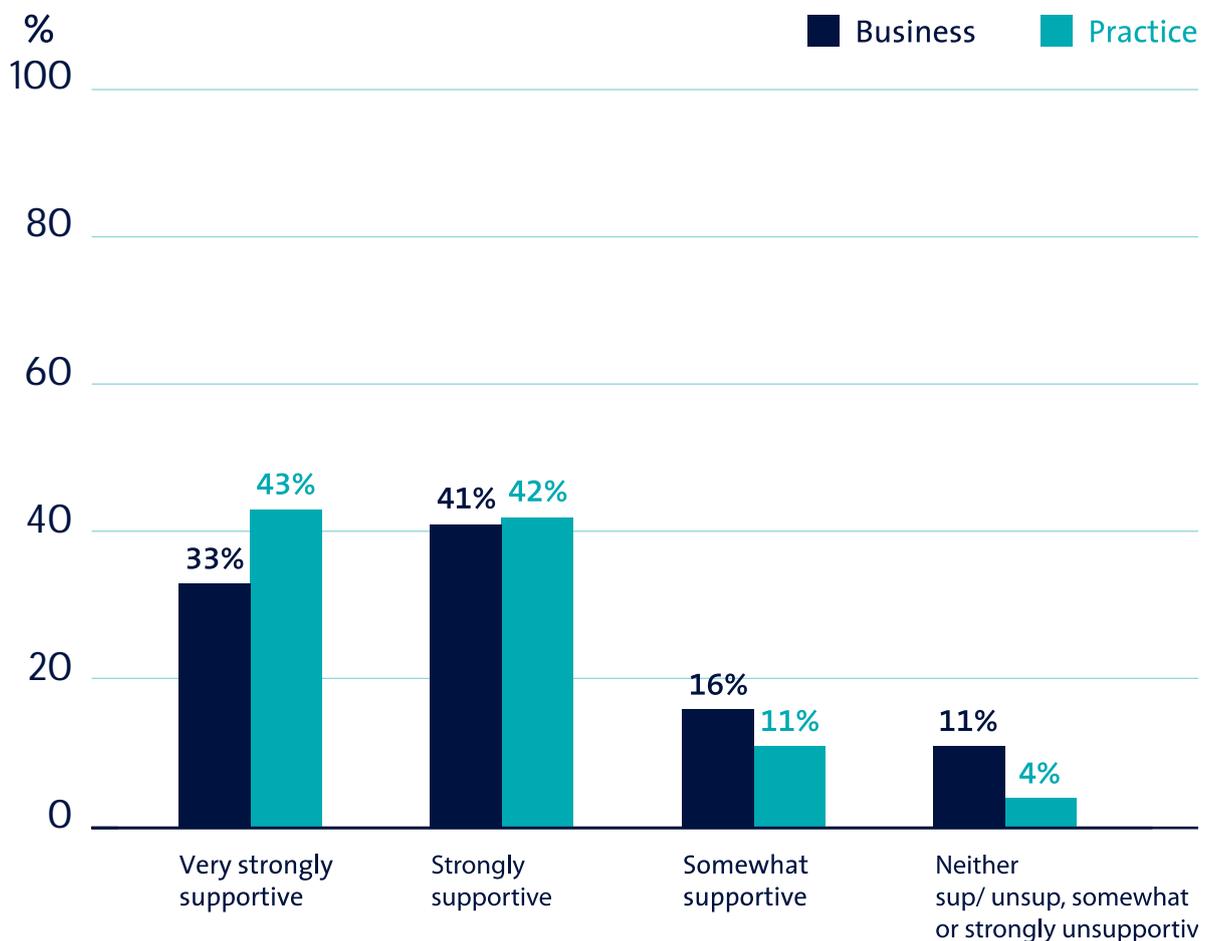
13% of Professional Accountants in Business and **4%** of those in Practice describe their own organisation as being 'somewhat ethical'.

(II) Perceptions of support for ethics in organisations:

87% of respondents consider their own organisation to be 'very strongly or strongly supportive' of ethical behaviour and conduct

Overall respondents have a very high perception of their own organisations' support for ethics. Chart 4.1 summarises the survey respondents' response to the question; 'which of the following statements best describe the level of support your organisation provides, to encourage ethical behaviour and conduct amongst its employees?'

Chart 4.1: Professional Accountants perceived level of support within their organisation to encourage ethical behaviour'



Overall 87 per cent of respondents describe their organisation to be 'very strongly or strongly supportive' of ethical behaviour and conduct. This is made up of 85 per cent of Professional Accountants in Practice expressing this view, compared with 74 per cent of those in Business.

By comparison 7 per cent of Professional Accountants, who responded consider their organisation to be neither 'supportive or unsupportive' of ethical conduct, with 8 per cent of Professional Accountants in Business and 3 per cent of those in Practice, holding this view. Overall 14 per cent of respondents describe their organisation to be only 'somewhat supportive' of ethical conduct and behaviour, made up of 16 per cent of Professional Accountants in Business and 11 per cent of those in Practice.

16% of Professional Accountants in Business and 11% of those in Practice describe their own organisation as being 'somewhat supportive' of ethical behaviour and conduct

Given the very high levels of ethics, described in organisations overall at 84 per cent (93 per cent in Practice and 81 per cent in Business) similar levels would be expected similar ratings when compared with the perceived levels of support for ethics in those organisations.

In contrast, while 93 per cent of Professional Accountants in Practice describe their organisations as being either very strongly or strongly ethical, the same cohort also perceive their organisations to be 'somewhat supportive' at 11 per cent and neither supportive or unsupportive at 4 per cent.

81 per cent of Professional Accountants in Business who responded describe their organisations are being

either very strong or strongly ethical. When rating the perceived level of support for ethics in these organisations the same respondents rating them as being 'somewhat supportive' at 16 per cent and neither supportive or unsupportive or unsupportive at 11 per cent. Overall this can point to an apparent 'disconnect' between the higher ratings when it comes to describing the ethics of an organisation and comparing it to the perceived levels of support for ethics within that organisation.

(III) Experience of ethics training:

We look at Professional Accountants' experience of ethics as a component of training from two perspectives.

- A) Attitude of their organisation towards inclusion of ethics as part of training
- B) Overall experience of ethics training in general

A) Attitude of their organisation towards inclusion of ethics as part of training:

In the online survey, respondents were asked to consider, from a list provided, how they would describe the attitude of their organisation towards the inclusion of ethics as part of their ongoing development, training and continuous professional development (CPD). The list provided a number of options ranging from "my organisation places no emphasis on ethics in my ongoing professional development" to "my organisation places a strong emphasis on ethics in my ongoing professional development"

Overall, 47 per cent of respondents, agreed with the statement indicating their organisation places a strong emphasis on ethics as part of ongoing development. This response when split between Professional Accountants in Practice at 59 per cent, and Professional Accountants in Business at 42 per cent, illustrates a marked difference. In looking at Professional Accountants in Practice, the response

breakdown ranged from 63 per cent for sole practitioners, 47 per cent for those in a 2-20 partner firms and 76 per cent for those in a 20+ partner firms.

31 per cent of all respondents agreed with the statement that their organisation places some emphasis on ethics. The responses between Professional Accountants in Practice and those in Business were quite similar at 30 per cent and 28 per cent respectively.

The remaining statements which respondents could have chosen from and the overall response rates were, as follows:

- **My organisation places a little emphasis on ethics in my ongoing professional development**

—9% overall—

- **My organisation has not raised the topic of ethics, as part of my professional development**

—10% overall—

This translates into 19 per cent of all respondents stating that there was 'little emphasis or it was not raised' as part of ongoing professional development. This result splits into 23 per cent of Professional Accountants in Business expressing this view compared with 11 per cent of those in Practice.

Given the very high levels at which ethics is described in organisations overall at 84 per cent (and at 93 per cent in Practice and 81 per cent in Business) one would expect this to coincide with ethics being strongly emphasised as part of ongoing professional development.

While Professional Accountants in Practice describe their organisations as being either very strongly or strongly ethical at 93 per cent, Professional Accountants in Practice, yet 30 per cent of those respondents report only 'some emphasis' and 11 per cent report 'little or no emphasis' on ethics in ongoing professional development.

With Professional Accountants in Business, 81 per cent of those respondents describe their organisations as being either very strong or strongly ethical. 32 per cent of Professional Accountants in Business state that, there was only 'some emphasis' and 23 per cent report 'little or no emphasis' on ethics in ongoing professional development.

Overall this can point to an apparent 'disconnect' between very high ratings when it comes to describing the ethics of an organisation, when compared to the extent to which there is a strong emphasis on ethics as part of individual personal development within their own organisation.

B) Overall experience of ethics training in general:

In the survey, respondents were asked to consider their experience of training received over the past three years, if any, and the extent of training that included an ethics component.

Overall 25 per cent of respondents, agreed with the statement that 'most of the training I received included an ethics component'. The responses of Professional Accountants in Practice and those in Business were similar at 24 per cent and 25 per cent respectively. In looking at Professional Accountants in Practice, the levels of response to this answer, ranged from 14 per cent for sole practitioners, to 19 per cent to those in a 2-20 partner firms to 50 per cent to those in a 20+ partner firms.

43 per cent of all respondents agreed with the statement that some of the training received included an ethics component. With the responses between Professional Accountants in Practice and those in Business again being quite similar at 44 per cent and 42 per cent respectively.

The remaining statements which respondents could have chosen from and the overall response rates were, as follows:

- “There was a passing mention of ethics in some of the training I received”

– 11% overall –

- “Little of the training I received included an ethical component”

– 12% overall –

- “None of the training I received included an ethical component”

– 5% –

- “Overall I have not received any training in the last three years”

– 4% overall –

This translates into 28 per cent of all respondents stating that there was only a ‘passing, little or no’ ethical component to training in the last three years, with another 4 per cent of respondents reporting no training of any descriptions over the same timeframe.

Given the very high levels at which ethics is described in organisations overall at 84 per cent (and at 93 per cent in Practice and 81 per cent in Business) one would expect this to coincide with relatively high levels of training with an ethical component in those organisations.

While Professional Accountants in Practice describe their organisations as being either very strongly or strongly ethical at 93 per cent, 28 per cent of those respondents also reported that there was only a ‘passing, little or no’ ethical component to training in the last three years.

With Professional Accountants in Business, 81 per cent of those respondents describe their organisations as being either very strong or strongly ethical. Yet only 29 per cent of Professional Accountants in Business state that, there was only a ‘passing, little or no’ ethical component to training in the last three years.

Overall this can point to an apparent ‘disconnect’ between very high ratings when it comes to describing the ethics of an organisation, when compared to the extent to which there is an ethical component to training, within these organisations.

(IV) Consideration of ethics in decision making:

We will look at this from two perspectives provided by Professional Accountants who responded to the survey and participated in individual structured interviews and focus groups. These include the perspective of consideration of ethics in decision making by:

- A) Professional Accountant’s organisation
- B) Professional Accountant personally.

A) Organisational Consideration:

When asked what extent the need for ethical conduct is seriously considered in making business decisions by their current organisation, the following indicates the overall response from respondents to the survey:

- 40 per cent stated to a ‘very large extent’;
- 39 per cent stated to a ‘Large Extent’;
- 21 per cent stated to ‘some or small extent or not at all’.

Of the 40 per cent respondents where organisations consider ethics to a ‘very large extent’ this reflects 43 per cent of Professional Accountants in Practice holding this view compared with 38 per cent of those in Business.

Of the 39 per cent of respondents who describe ethics being considered to a ‘large extent’ in their organisation, 41 per cent of Professional Accountants in Practice expressed this view, compared with 38 per cent of their professional colleagues in Business.

The final group of respondents at 21 per cent described ethics being a consideration to 'some extent, small extent or not at all'. This was split with 25 per cent of Professional Accountants in Business holding this view, compared with 17 per cent of Professional Accountants in Practice.

With very high levels of ethics, described in organisations overall at 84 per cent, (with 93 per cent in Practice and 81 per cent in Business) one would expect ethics to be a strong consideration of ethics in those organisations.

While Professional Accountants in Practice describe their organisations as being either very strongly or strongly ethical at 93 per cent. In comparison, 17 per cent of the same cohort, describe their organisations as including ethics as a key consideration only to 'some extent, small extent or not at all'.

Professional Accountants in Business describe their organisations as being either very strongly or strongly ethical at 81 per cent. Of those in Business, 25 per cent describe their organisations as including ethics as a key consideration only to, 'some extent, small extent or not at all'.

This can point to an apparent 'disconnect' between the extent to which ethics is a key consideration in decision making, compared with very high ratings when it comes to describing the ethics in those same organisations.

B) Personal Consideration:

When asked to consider their current role and the extent to which they personally consider the need for ethical conduct in making business decisions 54 per cent of respondents indicated that they consider it to a 'very large extent', 34 per cent to a 'large extent' with the remaining 12 per cent indicating that they consider it to 'some/small extent or not at all'.

Professional Accountants personally consider ethical conduct in decision making

- **54 per cent stated to a 'very large extent';**
- **34 per cent stated to a 'large extent';**
- **12 per cent stated to 'some or small extent or not at all'.**

This offers interesting contrast to respondents' perception of the level of consideration of same by their own organisation which they perceive to be lower than their own. 40 per cent of Professional Accountants responded that they perceive their organisations to consider the need for ethical conduct to a 'very large' extent in decision making versus 54 per cent personally.

Respondents report that ethical conduct is a serious consideration for them personally to a 'very large extent' at 54%; compared with organisational decision making, where it is to a 'very large extent' at 40%.

Of the 54 per cent respondents where the individual Professional Accountant considers ethics to a 'very large extent' that is split, between 51 per cent of Professional Accountants in Practice holding this view compared with 55 per cent of Professional Accountants in Business.

Within the 34 per cent of respondents who describe ethics being considered to a 'large extent' by each individual, 37 per cent of Professional Accountants in Practice expressed this view, compared with 33 per cent of their professional colleagues in Business.

The final group of respondents at 12 per cent described ethics being a consideration to, 'some extent, small extent or not at all'. This was split with 13 per cent of Professional Accountants in Business holding this view, compared with 11 per cent of Professional Accountants in Practice.

While Professional Accountants in Practice describe their organisations as being either very strongly or strongly ethical at 93 per cent, in comparison, 11 per cent of the same cohort, describe themselves individually, as including ethics as a key consideration only to, 'some extent, small extent or not at all'.

Professional Accountants in Business describe their organisations as being either very strongly or strongly ethical at 81 per cent. Of those respondents, 13 per cent describe themselves as including ethics as a key consideration only to, 'some extent, small extent or not at all'.

Overall with regard to the extent of ethics as a consideration in decision making, the greatest potential 'disconnect' is the difference between organisational and individual consideration. 54 per cent of Professional Accountants cite this as a key consideration to a 'very large extent' in individual decision making, compared with it being a consideration to a 'very large extent' at 40 per cent, for organisational decision making.

This level of difference between 'individual' and 'organisational' decision making, may reflect the personal nature of ethics and the need for individuals to consider the differences between 'right and wrong' in the context of values. In this regard it can be argued that ethics is a personal consideration in the first instance, and an organisational consideration subsequently.

5

The types of unethical behaviour, observed or encountered:

TYPES OF UNETHICAL BEHAVIOUR OBSERVED OR ENCOUNTERED IN PROFESSIONAL CAREER:

Professional Accountants were asked in our online Survey how frequently, if at all, they observed or encountered certain types of unethical behaviour in their professional career.

In addition to identifying some common ethical issues faced by Professional Accountants, this question also assessed, in part, the extent to which Professional Accountants are ethically aware. In developing an ethical culture, a high level of ethical awareness plays a key role in allowing Professional Accountants and others to make ethical and effective decisions within their organisations and professional lives. According to the results, 94 per cent of respondents either observed or encountered some level of unethical behaviour during their professional career.

Overall 94% of respondents have 'observed or encountered' some level of unethical behaviour during their professional career

This was made up of 95 per cent of Professional Accountants in Business having this view, compared with 91 per cent of those in Practice, who responded to the survey. The list of unethical behaviours was presented in a randomised fashion in order to avoid response bias. The list of behaviours which respondents could choose from, in no particular order are presented in Fig 5.1.

It is important to note that where a respondent has encountered or observed unethical behaviour, this does not mean that an individual respondent either condones or has participated in such conduct. Rather it illustrates circumstances where a respondent has experienced such conduct in their professional lives. Those respondents who have observed or encountered unethical behaviour demonstrate a level of ethical awareness and therefore an ability to identify what constitutes unethical conduct.

- **Bullying and harassment**
- **Inappropriate response to conflicts of interest**
- **Dishonesty/ saying things that are not true**
- **Manipulation of information**
(e.g. overstating accruals)
- **Misrepresentation of information**
(e.g. providing a false or misleading picture)
- **Unethical human resources practices**
(e.g. Lack of transparency in promotions or selection)
- **Breach of confidentiality**
- **Withholding of relevant information**
- **Rules, regulations or procedures being intentionally ignored**
- **Bribery**
- **Undue pressure/ influence**
- **Other professional misconduct**

Fig 5.1: List of unethical behaviours provided in survey for respondents to choose from.

TOP UNETHICAL BEHAVIOURS - OBSERVED OR ENCOUNTERED:

Chart 5.1 below illustrates the top five unethical behaviours observed or encountered by respondents to the online survey.

Chart 5.1: Top five unethical behaviours observed/encountered by Professional Accountants



MOST FREQUENTLY OBSERVED - UNETHICAL BEHAVIOUR:

While Chart 5.1 illustrates the top five ever observed/encountered, table 5.1 below presents the six most frequently observed unethical behaviours reported by respondents to the survey. We analyse responses from the survey in addition to interviews and focus groups, in relation to each of these unethical behaviours below.

*Note: where respondent has encountered or observed unethical behaviour, this does not mean that an individual respondent either condones or has participated in such conduct.

Table 5.1: Top five unethical behaviours observed/encountered* by Professional Accountants'

Behaviours		% of respondents		
		Occasional	Often	Total
1	Unethical HR practice (E.g. lack of transparency in promotions)	27%	9%	36%
2	Undue pressure/ Influence	29%	6%	35%
3	Dishonesty (E.g. saying things that are not true)	28%	6%	34%
4	Bullying and harassment	26%	7%	33%
5	Manipulation of information (E.g. overstate accruals)	25%	5%	30%
6	Misrepresentation of information	26%	4%	30%

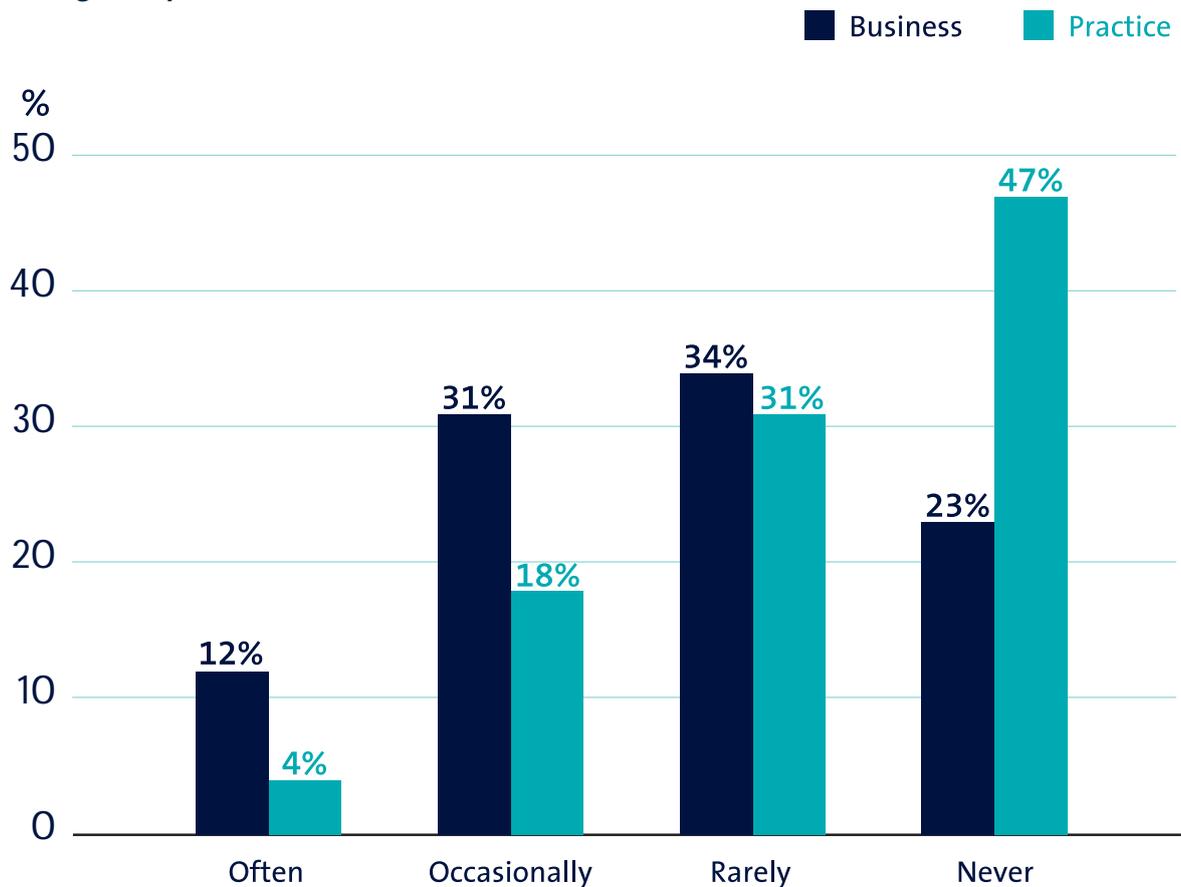
The further analysis below presents the survey results and highlights the difference and similarities in experience of these unethical behaviours between Professional Accountants in Practice and those in Business. In relation to manipulation of information, we present further analysis of responses from Professional Accountants in Practice by practice size. We are also highlighting that experiences can differ further by practice size, in the case of Professional Accountants in Practice, and also by industry or sector for Professional Accountants in Business. The purpose of this section is to highlight the most common and frequently observed unethical behaviours by Professional Accountants. The results can't serve to create awareness and inform Professional Bodies and organisations where supports may be best directed when looking to address potential unethical issues.

1. Unethical human resources (hr) practice:

An analysis of survey respondents' observation or encountering of unethical HR practice is provided in chart 5.2 below. It shows the breakdown of responses between Professional Accountants in Business and those in Practice.

Professional Accountants in Business (43%) are more likely than those in Practice (22%) to have observed or encountered unethical HR practice.

Chart 5.2: Analysis of respondents observation or encountering of unethical HR practices during their professional career



43 per cent of Professional Accountants in Business who responded, have observed or encountered unethical human resources practice 'often and occasionally', compared with 22 per cent of those in Practice.

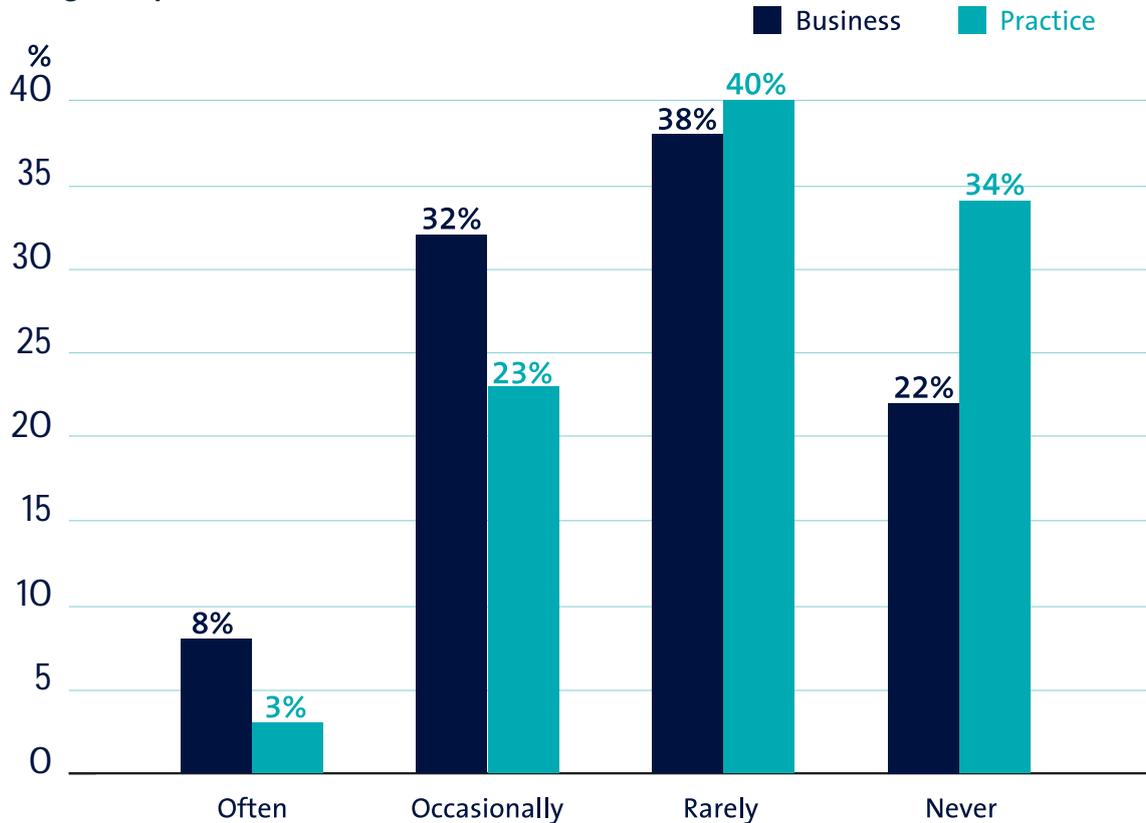
In addition, 47 per cent of Professional Accountants in Practice have 'never observed or encountered' unethical human resources practice, compared with only 23 per cent of those in Business.

2. Undue Pressure/Influence:

An analysis of survey respondents' observation or encountering of undue pressure/influence is provided in chart 5.3 below. It shows the breakdown of responses between Professional Accountants in Business and those in Practice.

Professional Accountants in Business (40%) are more likely than those in Practice (26%) to have observed or encountered undue pressure/ influence, 'often or occasionally'

Chart 5.3: Analysis of respondents observation or encountering of undue pressure/influence during their professional career



40 per cent of Professional Accountants in Business who responded, have observed or encountered undue pressure 'often and occasionally', compared with 26 per cent of Professional Accountants in Practice.

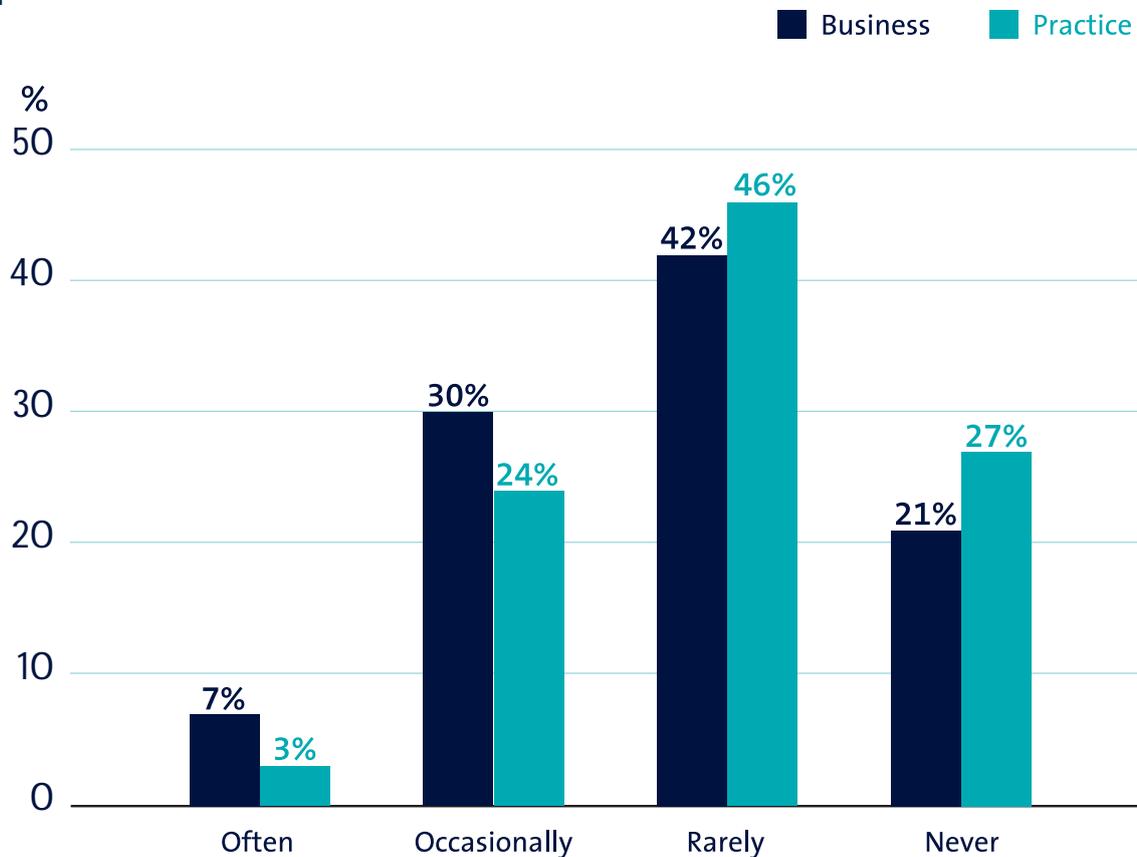
In addition, 34 per cent of Professional Accountants in Practice have 'never observed or encountered' undue pressure/ influence, compared with only 22 per cent of Professional Accountants in Business.

3. Dishonesty (saying things that are not true):

Professional Accountants in Business (overall) are more likely to have observed or encountered dishonesty (saying things that are not true).

Survey results show that Professional Accountants in Business are more likely to have observed or encountered dishonesty (saying things that are not true). A partial explanation for this may be that Professional Accountants in Practice are subject to regulatory oversight. An analysis of survey respondents' observation or encountering of dishonesty is provided in chart 5.4 below. It shows the breakdown of responses between Professional Accountants in Business and those in Practice.

Chart 5.4: Analysis of respondents observation or encountering of dishonesty during their professional career



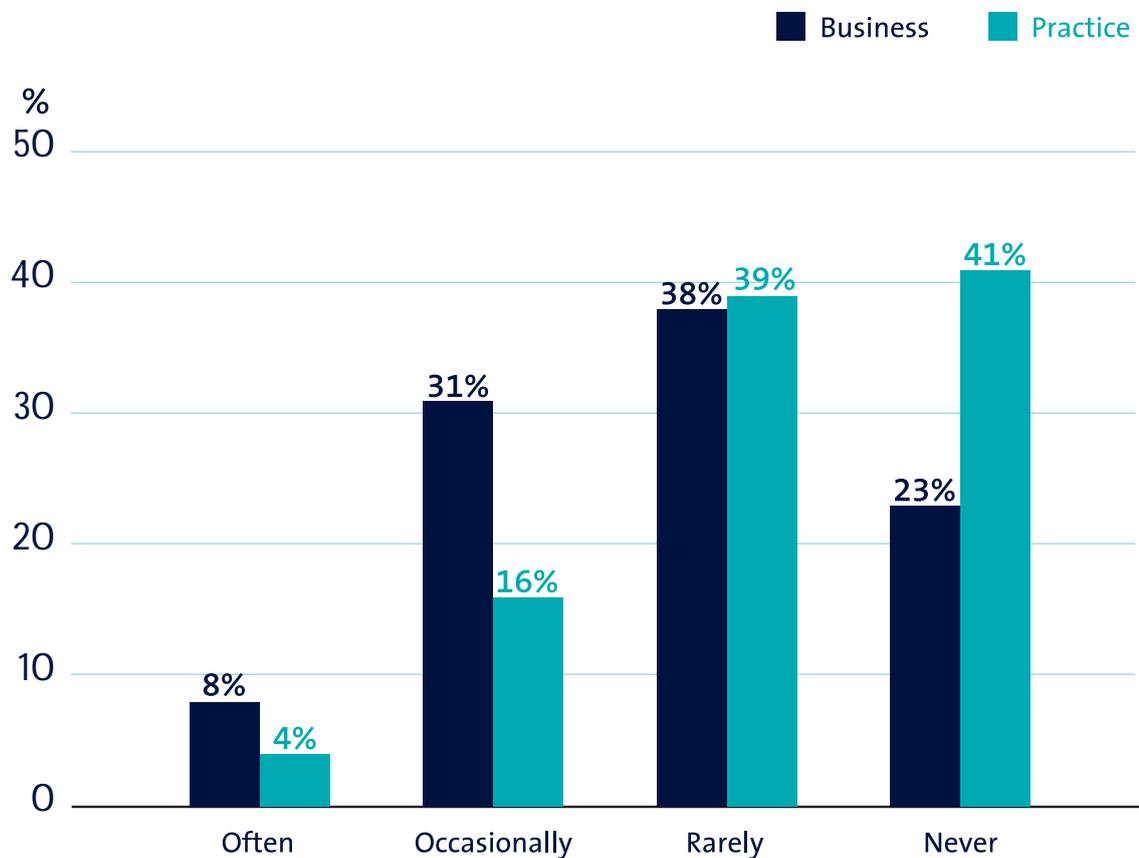
27 per cent of Professional Accountants in Practice, who responded have never observed or encountered dishonesty, compared with 21 per cent of those in Business.

4. Bullying and Harassment:

When responding to how frequently bullying and harassment was observed or encountered, 39 per cent of respondents who are Professional Accountants in Business reported observing or encountering it versus 20 per cent of those in Practice. An analysis of survey respondents' observation or encountering of bullying and harassment is provided in chart 5.5 below. It shows the breakdown of responses between Professional Accountants in Business and those in Practice.

Professional Accountants in Business are almost twice as likely as those in Practice to have observed or encountered Bullying and Harassment with 39% having observed or encountered it 'often or occasionally' compared with 20% of Professional Accountants in Practice.

Chart 5.5: Analysis of respondents observation or encountering of bullying and harassment during their professional career



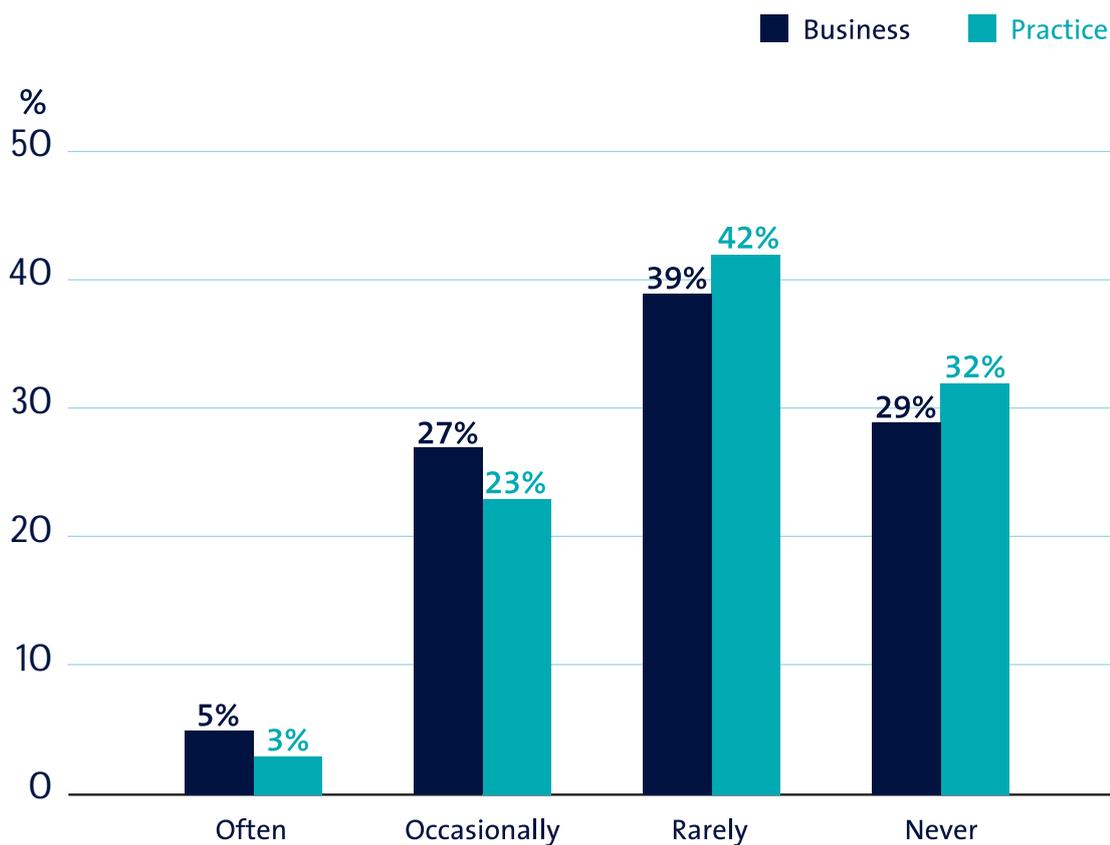
42 per cent of Professional Accountants in Practice have never observed or encountered bullying and harassment compared with 23 per cent of those in Business.

5.The types of unethical behaviour, observed or encountered:

An analysis of survey respondents' observation or encountering of misrepresentation of information is provided in chart 5.6 below. It shows the breakdown of responses between Professional Accountants in Business and those in Practice.

Professional Accountants in Business are more likely to observe or encounter misrepresentation of information compared with those in Practice

Chart 5.6: Analysis of respondents observation or encountering of misrepresentation of information during their professional career



As presented in chart 5.6 above, 32 per cent of Professional Accountants in Business and 26 per cent of those in Practice, report that they had encountered or experienced misrepresentation of information either often or occasionally, in their professional career.

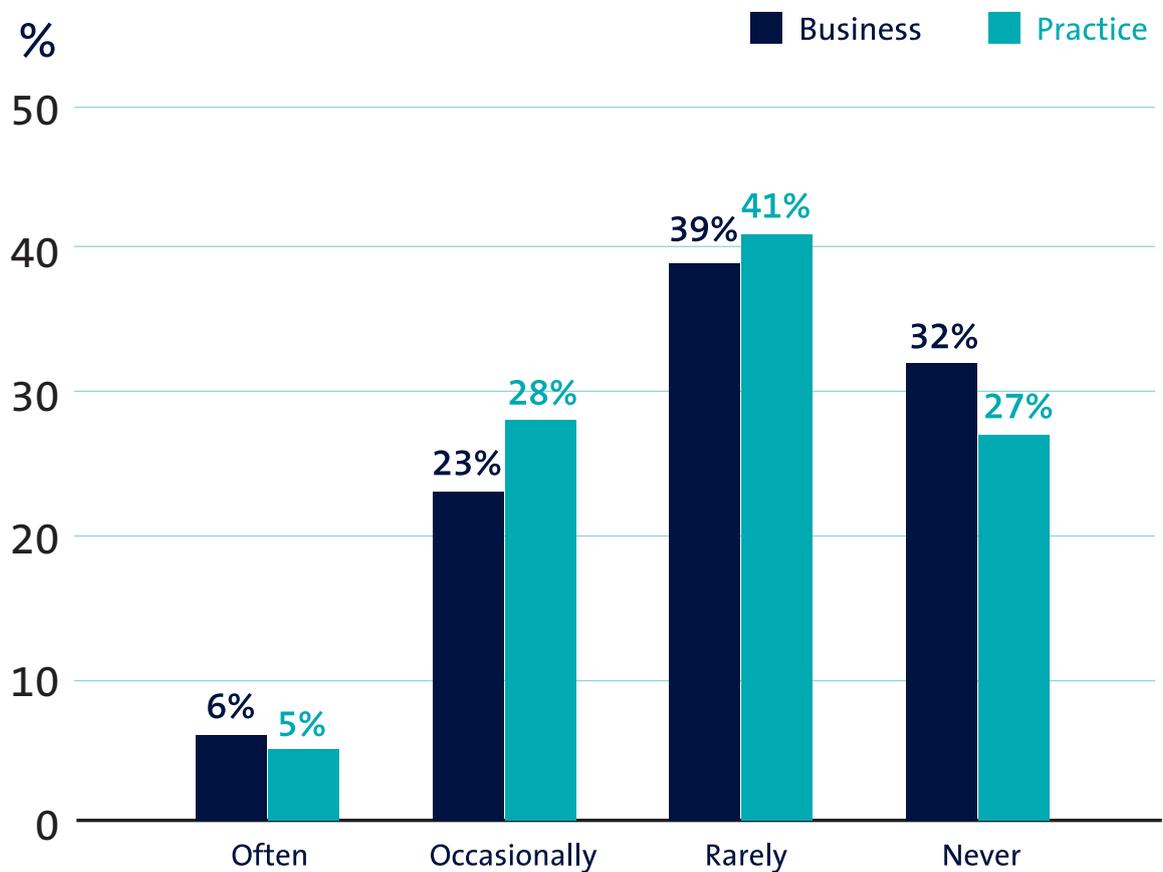
29 per cent of Professional Accountants in Business and 32 per cent of those in Practice report never having encountered misrepresentation of Information. This could be a factor of length of career given that 50 per cent of respondents with five years or less experience report having never experienced or encountered this unethical behaviour.

6. Manipulation of information:

An analysis of survey respondents' observation or encountering of manipulation of information is provided in chart 5.7 below. It shows the breakdown of responses between Professional Accountants in Business and those in Practice.

Professional Accountants in Practice with 20+ Partners are more likely than other Professional Accountants in Practice generally to have observed/encountered manipulation of information.

Chart 5.7: Analysis of respondents observation or encountering of manipulation of information during their professional career

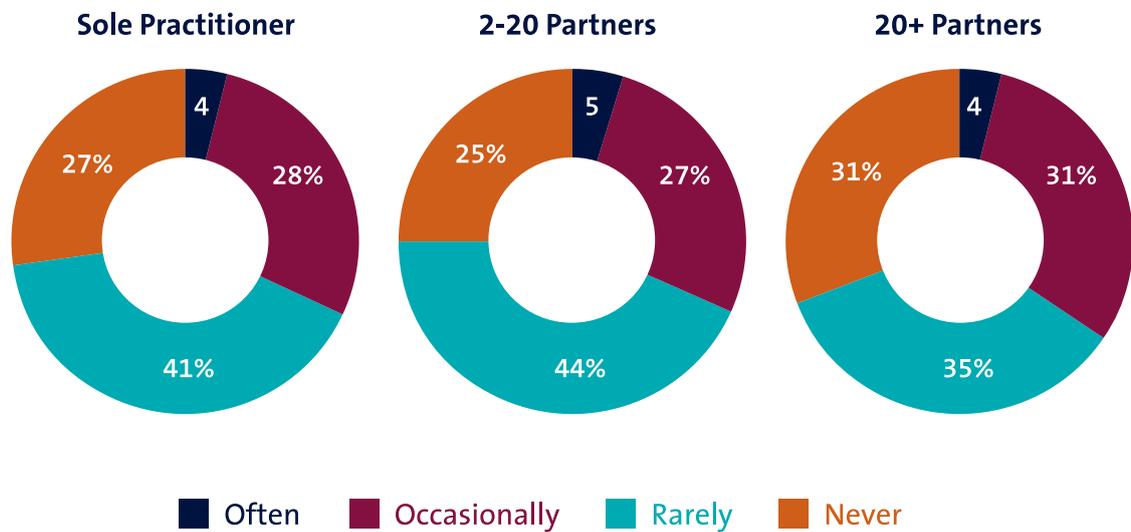


32 per cent Professional Accountants in Bu s and 27 per cent of those in Practice, who responded to the online survey, report that they have never encountered or experienced manipulation of information, in their professional careers.

It should also be noted that this phenomenon (of never having encountered manipulation of information), could be a factor of length of career, given that per cent of respondents with five years or less experience report having never experienced or encountered this unethical behaviour.

Further analysis of Professional Accountants in Practice, who responded to the survey is presented in chart 5.8 below. It presents the experience of Professional Accountants in three different size practices of either observing or encountering manipulation of information. Professional Accountants in Practice with 20+ Partners are more likely than other Professional Accountants in Practice to have observed/encountered manipulation of information, e.g. overstating accruals or adjusting narrative/figures in order to present an erroneous result/position.

Chart 5.8: Analysis of observation or encountering of manipulation of information by Professional Accountants in Practice, by practice size, during their professional career



6 The disciplinary process and regulation:

REGULATORY OVERVIEW

In Ireland and the United Kingdom, the relevant supervisory authorities in relation to Professional Bodies are, respectively, the Irish Auditing and Accounting Supervisory Authority (IAASA) and the Financial Reporting Council (FRC).

In their respective jurisdictions, IAASA and FRC are responsible for inspecting the quality of audit work in relation to financial statements of Public Interest Entities (PIEs) which include public listed companies. This oversight was previously carried out by the Professional Bodies. Professional Bodies still retain responsibility for inspecting the quality of audit work for their member audit firms in relation to non-PIE audits. Both IAASA and the FRC also have responsibility for monitoring the quality of financial reporting by listed or larger entities.

IAASA's role in relation to other activities of members of Professional Bodies is set out in statute, as described below.

In the UK, the FRC has, at the time of publishing this report, a non-statutory agreement with six Professional Bodies to provide oversight of the regulation by them of their members beyond those that are statutory auditors. In addition, the FRC has an important statutory role to oversee the regulation of statutory auditors, including any supervisory role delegated to the Professional Bodies in this regard.

IAASA's role in relation to Professional Bodies, as defined within this report, also includes:

- supervising the manner in which they regulate their members, including compliance with Code of Ethics, and;

- specific to audit, in addition to monitoring of PIE audit quality, oversight of the performance of the regulatory function assigned to them in respect of statutory auditors of other entities including (a) approval and registration, (b) continuing education, (c) quality assurance in respect of Non-PIE audits and (d) investigation and discipline in respect of Non-PIE audits.

FRC's role in relation to the accountancy profession includes:

- in accordance with the aforementioned non-statutory agreement, providing oversight on the manner in which the Professional Bodies, party to the agreement, regulate their members, including compliance with Code of Ethics, and;
- specific to audit, to monitor the manner and extent to which certain Professional Bodies, delegated certain regulatory tasks in relation to audit quality oversight, perform such tasks, which include, unless withdrawn by FRC, (a) registration, (b) audit quality monitoring in the case of non-PIEs, (c) continuing professional development, and (d) enforcement in relation to non-PIE audits.
- conducting investigations and bring prosecutions, if appropriate, against auditors, accountants, accountancy firms, and actuaries where there appears to be misconduct or a breach of the relevant professional standards. Only one Professional Body in this research report is subject to oversight from the FRC.

In general, both IAASA and FRC may review a Professional Bodies regulatory system for ensuring regulations and requirements applying to their members are complied with. Examples of such regulations and requirements include:

- Education and formation to become a member, i.e.

a qualified professional accountant,

- Continuing professional development for members,
- Contributing to establishment of and upholding professional standards,
- Ethical matters including establishment and upholding a Code of Ethics,
- Supervising professional conduct, including taking disciplinary action in response to misconduct,
- Registration and monitoring of accounting practices including members holding Practice Certificates and other licences for reserved regulatory functions with accounting practices.

As part of this research, Mr Kevin Prendergast, Chief Executive the Irish Auditing and Accounting Supervisory Authority (IAASA), kindly agreed to be interviewed. Speaking in a personal capacity, Mr Prendergast's interview is set out at the end of this section, in a 'question and answer format'.

THE DISCIPLINARY PROCESS WITHIN PROFESSIONAL BODIES:

The governing document, be it a Constitution, Charter or Deed of Trust, of a Professional Body, in addition to

bye-laws, covers a wide range of functions, including disciplinary issues. As membership organisations, the governing document cannot be altered without required formal membership approval at an Annual or Extraordinary General Meeting (AGM/EGM) unless the change can be made using the powers delegated by the members to the Professional Bodies Council/ Board. However, due to the regulatory responsibilities of Professional Bodies, changes to their governing document and certain bye-laws must also be formally approved by the relevant supervisory authority, e.g. IAASA or FRC.

Within each Professional Body, its Council/ Board, is ultimately responsible for the regulation and disciplining of its members for compliance with requirements set out in the governing document, including bye-laws. In the case of one of the participating Professional Bodies, Chartered Accountants Ireland, it also established, under their bye-laws, the Chartered Accountants Regulatory Board (CARB) which is responsible for overseeing the fairness, impartiality, rigour and integrity of their regulatory and disciplinary responsibilities as well as for supervising the operation of their regulatory and disciplinary functions.

The Director of Professional Standards with Chartered Accountants Ireland, Mr Aidan Lambe, commenting on the regulatory and disciplinary process within Chartered Accountants Ireland, states that:

“The professional standards function within Chartered Accountants Ireland is responsible for the regulatory and disciplinary obligations of the Institute. Many of these obligations are conferred on the Institute by statute, for example the regulation of statutory audit, the regulation of investment business advice and anti-money laundering supervision. The Institute’s performance of such functions is also subject to oversight by State Competent Authorities, for example IAASA in Ireland and the FRC in the UK. While the Institute’s own requirements extend to all members, for example its Code of Ethics, the focus tends to be on public practice, including practice inspection and monitoring.”

While Professional Bodies differ in terms of organisational structure, they have regulatory systems for ensuring regulations and requirements applying to their members are complied with. Examples of such regulations and requirements are provided above. Of particular relevance to our research is the investigation of complaints against members, member firms, affiliates and students of Professional Bodies and the subsequent disciplinary action. Such action is taken when there is evidence that their professional performance has fallen short of the reasonable expectations of the public and other stakeholders. Complaints can arise from a number of sources, including for example, a member of the public, another professional accountant, a regulatory body or as a result of a quality assurance inspection of

a member firm or an audit of a member's compliance with continuous professional development requirements, etc.

If disciplinary action is required the process is operated in an open and transparent manner with a range of sanctions that can be imposed, including financial levies, membership restrictions, suspension and in certain instance expulsion. Membership of disciplinary committees and related panels typically include a number of lay members, i.e. persons who are not members of a Professional Body. Fig 1 below includes an extract from Chartered Accountants Ireland's 2017 Annual Report detailing a breakdown of disciplinary decisions in 2017. Fig 2 below contains a summary of disciplinary and regulatory activity by CPA Ireland in 2017.

Fig 1: Breakdown of Chartered Accountants Ireland disciplinary decisions in 2017

Decision-Maker:	N° of decisions	Outcomes:
Head of Professional Conduct	42 6 2	No case to answer Case closed on basis of withdrawal of complaint Case closed on basis matter was resolved between parties
Conduct Committee	31 1 8 4 31	No case to answer Case closed Member RIP Case to answer – caution / sanction imposed Case to answer – no further action Case to answer – referral for hearing by a Disciplinary Tribunal
Independent Reviewers	8 2	No case to answer Case to answer – referred to Independent Review Committee
Independent Review Committee	2 1	No case to answer Case to answer – referral for hearing by a Disciplinary Tribunal
Disciplinary Tribunal	25	Case proven – sanction imposed
Appeal Tribunal	4	Sanction upheld and varied

Source: Extract from Chartered Accountants Regulatory Board 2017 Annual Report at page 9 (21st March 2018).

A review of the outcomes of inspection visits conducted by Chartered Accountants Ireland for 2017, shows that from a total of 85 audit inspections carried out, 68 of these inspections were satisfactory, with 11 not being satisfactory. In seeking to understand generally why a firm inspection may not be satisfactory, the Director of Professional Standards with Chartered Accountants Ireland commented on some possible reasons:

“The reasons can be quite different and varied; it could be on a range of technical issues, from non-compliance with auditing standards, where audit firms are not meeting minimum documentation requirements, to more ‘whole firm’ matters, for example inappropriate procedures or insufficient CPD.

In my experience, the most common issue is firms not giving themselves credit for the work that they do. And what do I mean by that? Essentially, not writing it down and documenting what has been done or how judgements have been arrived at. Occasionally, Independence problems may arise.

As Director of Professional Standards, I take the view that we are not in the business of kicking firms and trying to catch them out. From my perspective, the Institute should be in the business of promoting compliance and trying to encourage improvement. Where we can, within regulatory constraints, we try to assist firms in coping with an increasingly complex and difficult regulatory maze. Increasing quality is what we are about.

The key to obtaining a satisfactory monitoring visit is to keep up to date in terms of current developments in auditing standards, investment business regulations, or generally, in whatever service areas a practice is engaged. In the case of statutory audit, in particular, the increasing complexity of auditing standards, and the high expectations of regulators, and the public at large, keeping up to date is critical to ensuring that the audit process is being carried out to an acceptable standard and quality. It is an unavoidable cost of being a statutory auditor.”

Fig 2: summary of disciplinary and regulatory activity by CPA Ireland in 2017

Description of activity	Measure of activity
Cases heard in public by disciplinary tribunal	4
New Complaints received	17
Monitoring Visits	63

THE DISCIPLINARY PROCESS – PROFESSIONAL BODY:

Respondents to our online survey were also asked questions relating to their 'familiarity with' and the 'adequacy of' the disciplinary processes in their own Professional Body.

Professional Accountants in Practice are more familiar, (51% versus 27%) with the disciplinary processes of their Professional Body, compared with those in Business

Such a finding is likely to reflect the reality that large parts of the services offered by Professional Accountants in Practice are subject to standards and regulations monitored by their Professional Body. Therefore, it is not surprising that those in Practice have a higher degree of familiarity compared to their professional colleagues in Business.

Table 6.1: Professional Accountants' level of familiarity and perception of adequacy with their Professional Body's member disciplinary process

Descriptors	Familiarity		Adequacy	
	Business	Practice	Business	Practice
Very familiar or adequate	5%	13%	10%	18%
Familiar or adequate	22%	38%*	43%	51%*
Somewhat familiar or adequate	37%*	31%	15%	14%
Neither, somewhat, very unfamiliar, inadequate	36%	17%	32%	17%
TOTAL *Rounding	100%	100%*	100%	100%*

Lack of familiarity appears to correlate with perceived inadequacy:

- There appears to be some correlation between low levels of familiarity and corresponding levels of perceived inadequacy with the disciplinary process
- Professional Accountants in Practice: low levels of familiarity 17 per cent v 17 percent perceived inadequacy
- Professional Accountants in Business: low levels of familiarity 36 per cent v 32 per cent perceived inadequacy

A number of views arose during the research that suggested perceptions of inadequacy in the disciplinary process. Many of these views support the claim that the Code of Ethics can be used during the disciplinary process to "hammer" small practices and that the rules are applied in a harsher way to smaller practices than larger practices. Professional Accountants in Practice from smaller practices can feel "beat up" and frustrated as they have limited resources to spend on ethics training and, despite taking a moral stance with their clients and work, they are penalised for lack of documentation even though they may have followed the right procedure and this is evident in the quality of the result from the work done, the fact that no harm has been done or the public interest was not at risk or that the client has not complained.

The Director of Professional Standards with Chartered Accountants Ireland, commenting on the perception that [in relation to regulation], big firms have a resource advantage over smaller firms, said that:

"Undoubtedly, there can be resource constraints within smaller firms. I think the Professional Standards function has a role to assist firms in this regard. Yes of course our inspectors, when visiting a firm, you have to 'call a spade a spade'. That said, there is another aspect to our role. I have heard practitioners saying they have got something out of [the inspection], value adding, if you like. Inspections can provide assurance to firms that their compliance is actually on the right path or, alternatively, point out where changes are required. Overall our regulatory obligations mean we have to be happy that we are doing enough. Generally, as an Institute that we also need to ensure we are actually doing enough to equip members to meet the requirements of the standards.

Recently, the Financial Reporting Council in the UK (FRC) declared that it saw itself as an 'improvement regulator', with as much a focus on assisting its regulated population to stay on a path of increasing audit quality, in particular. I think that's where the Institute and Professional Standards need to be as well. It's about encouraging compliance and also raising audit quality."

THE DISCIPLINARY PROCESS – OWN ORGANISATION:

Many professional accountants work for organisations in various sectors, including public, private and charity/not-for-profit, that may also have disciplinary processes in place for unethical behaviour or misconduct. Some of these organisations may also be regulated as part of a regulated industry, e.g. financial services, healthcare, pharmaceutical, etc. and therefore may also have regulated disciplinary processes in place.

Therefore, we asked respondents to our survey to consider two questions relating to their 'familiarity with' and the 'adequacy of' the disciplinary processes (action and sanctions) within their own organisation:

Familiarity appears to drive perceptions of adequacy:

- 47 per cent of Professional Accountants in Business describe themselves as being ‘very familiar or familiar’ with the disciplinary process in their own organisation, with 62 per cent considering it to be ‘very adequate or adequate’.
- 60 per cent of Professional Accountants in Practice describe themselves as being ‘very familiar or familiar’ with the disciplinary process in their own organisation, with 76 per cent considering it to be ‘very adequate or adequate’.

Table 6.2: Professional Accountants’ level of familiarity and perception of adequacy with their organisation’s employee disciplinary process

Descriptors	Familiarity		Adequacy	
	Business	Practice	Business	Practice
Very familiar or adequate	18%	27%	17%	26%
Familiar or adequate	29%	33%*	45%	50%*
Somewhat familiar or adequate	25%	22%	14%	9%
Neither, somewhat, very unfamiliar, inadequate	28%	18%	24%	15%
TOTAL *Rounding	100%	100%*	100%	100%*

Professional Accountants in Practice are more familiar, (60% versus 47%) with the disciplinary processes within their own organisation, compared with Professional Accountants in Business

This may be explained by the fact that Professional Accountants in Practice are subject to greater regulation, due to authorisation/licencing and more active quality assurance monitoring, than those in Business and as a result, are more likely to acquaint themselves and be familiar with the disciplinary actions and sanctions which operate within their own organisation.

PROFESSIONAL ACCOUNTANTS' PERCEPTIONS OF THE DISCIPLINARY PROCESS AND ENFORCEMENT:

In order to present this analysis we have taken the direct findings from the online survey and also comments made as part of the verbatim comments and feedback from the individual structured interviews and focus groups. Please refer to introduction for more details on research design and the basis, in part, used for interpreting research results.

From the analysis approximately 226 observations identified a number of specific issues which relate to the Disciplinary Process and Enforcement:

- (I) Increased sanctions required;**
- (II) Mandatory ethics Continuous Professional Development/Education (CPD);**
- (III) Report and publicise sanctions.**

(I) Increased sanctions required:

Of the total of 226 observations related to the Disciplinary Process and Enforcement, 73 or 32 per cent related to 'Increasing Sanctions', on an unprompted basis.

Increased sanctions required

- Stricter sanction;
- Harsher penalties;
- Greater government oversight;
- Push to change culture.

There were a number of views shared that agree with the comments such as; *"stricter sanctions for unethical behaviour would lead to members taking it more seriously"*; *"More severe sanctions for [Professional Accountants] engaged in instances of unethical behaviour and; "More stringent punishments and a push [to encourage ethical] cultures at the top of organisations"*. While calling for stricter sanctions,

some also called for a *"Change [in the] disciplinary Process to make it more transparent and fairer"*. Feedback relating to the latter point alludes to perceptions that some are penalised more harshly than others and bringing in stricter sanctions should not come without a change in the process to ensure that only those deserving sanctions are sanctioned. Generally, when it comes to rules and regulations, some were of the opinion that there is no lack of rules, so no need for more. What is needed is more enforcement of existing rules by all parties concerned. Reference was made to the fact that there can be long delays between when an unethical action is discovered and when disciplinary action is taken. Reference was made to some recent 'high profile' cases. Some made similar suggestions to *"There needs to be greater Government oversight of auditing"*, as a possible means of ensuring a fairer and consistent disciplinary process.

Commenting on a perception of delay in taking disciplinary action, the **Director of Professional Standards with Chartered Accountants Ireland**, said that:

“At any one time there may be up to 100 complaints cases which are going through the disciplinary process, although the actual number of cases received annually has come down in recent years. Delays can arise for various reasons. For example, having made an initial complaint, the complainant may not engage further or take considerable time to respond where additional information necessary to conduct a fair investigation is sought by a case manager.

Cases may also have criminal or civil litigation aspects to them, possibly meaning any Institute investigation has to be paused. There can be cases of illness, mental as well as physical. And also, too, some cases are just so complex and difficult that they take time. We are very conscious that justice delayed is justice denied. However, I am happy that the Institute does everything it can to expedite complaints as quickly as possible.

Inevitably, our complaints regime is adversarial. That is its nature. Ultimately, I think we would like to take a step back to consider whether there are better ways of dealing with some of the issues giving rise to complaints, whether that be mediation or conciliation. We need to find the time to do this.”

(II) Mandatory ethics CPD:

From a total of 226 observations on the disciplinary process and enforcement, there were 61 specific observations, which referenced mandatory ethics CPD.

Mandatory ethics CPD

- Mandatory;
- Online;
- Annually.

The topic of a mandatory ethics component in CPD, Professional Accountants post qualification training, arose on a frequent number of occasions in the verbatim comments and also as part of discussions in the focus groups. Examples of comments which would be representative of the overall set, on the topic of mandatory ethics CPD, include:

- *“Mandatory completion of online ethics course included in annual CPD, incorporating test questions to assess learning and affirmation of familiarity and compliance with ethics requirements.”*
- *“Ethics training being part of mandatory CPD with the option to complete it via webinar, online or structured CPD event.”*
- *“Have some compulsory annual certification following an online training course and make it free.”*

There is an appetite from Professional Accountants to engage in ethics related CPD and training, so much so that they feel confident that they would comply with any mandatory CPD requirement. However, the suggestion for mandatory CPD has to be measured in context of calls for relevant and accessible ethics related CPD, highlighted further in Sect. 7 of this report.

(III) Report and publicise sanctions:

Of a total of 226 observations related to Enforcement, 45 or 20 per cent related to 'Reporting and Publicising Sanctions', on an unprompted basis.

Report and publicise sanctions

- Greater public visibility;
- More transparency;
- Major issues not discussed;
- Communicate objectively.

Both Chartered Accountants Ireland and CPA Ireland publish the details of any disciplinary proceedings involving their members in their magazines as well as on their website. It is believed that the risk of being published is a deterrent against personal lack of integrity, and the publicity is regarded as worse than any fines or sanctions. It was pointed out by one interviewee that it was as upsetting to read adverse headlines about a rival firm's scandals and subsequent penalties as it also reads as bad publicity for that interviewee's own firm. 'Basically, one rogue can taint everyone unfairly.' A number of comments support

the view that the publications currently do not go far enough, one, for example, suggesting "[Professional Bodies] should ensure that there is greater public visibility/awareness of the sanctions that are applied when members commit ethical violations."

Some Professional Accountants also called for "more transparency in disciplinary cases where significant fraud and misrepresentation has taken place" and that "[Professional Bodies] should keep members informed of ethical issues as they come to their attention. This is being done but it sometimes appears that major issues are not discussed." Many share the view that publication of the sanction would be more effective if the issues of the case were also reported.

Questions arose from some seeking answers to "why there have been no sanctions for 'specific big profile cases'" which also highlight views that are similar to the comment, "The profession must respond and be seen to respond in an objective way to any reported ethics breach"

(IV) Risk Management and ethics

(V) Tax Planning a Challenge

(VI) Should Professional Bodies regulate?

(IV) Risk Management and ethics:

Many Professional Accountants, who participated in the research, were highly conscious of the risk to their personal and their practices or organisations reputation in case of adverse publicity from wrongdoing. However, many of the Professional Accountants in Practice believed that regulation is much stronger and that the lines of right and wrong are much clearer for them than Professional Accountants in Business.

It was reported that procedures to prevent and deal with regulation and discipline are more present in larger practices. These tend to concentrate on risk management, i.e., detection and prevention of regulatory risk, rather than on ethical principles. Participants from practices of all sizes acknowledged having some form of internal disciplinary procedure.

(V) Tax planning can be a particular ethical challenge for accountants in practice:

Tax can be common cause for complaints against Professional Accountants in Practice. Tax Planning arose, on numerous occasions, as a particularly challenging ethical issue. It was acknowledged that there are certain issues in practice that could prove problematic, not only the lines between compliance and non-compliance but also the lines between compliance and ethical principles. There is always a concern that, under pressure from clients, Professional Accountants could be perceived as 'getting around things' and in such instances a strong will and moral code is required to resist.

(VI) Professional Bodies should advocate on behalf of members, notwithstanding their regulatory role:

An interesting theme that arose from some feedback was whether the Professional Bodies should be involved in regulating their members at all. It was declared, for example, that notwithstanding its regulatory role as registering qualified professional accountants, the professional body should be the 'trade union' for its members.

Interview

Kevin Prendergast*

Chief Executive IAASA

*(*Mr Prendergast is speaking in a personal capacity and his views do not necessarily reflect those of IAASA or its Board.)*

Q: Describe the evolution of the Irish Auditing and Accounting Supervisory Authority (IAASA)?

When the Authority was established in the 2000's it was intended that IAASA would be an independent body that was responsible for the oversight of the accountancy profession. The professional bodies themselves were tasked with direct regulation. Our role was not to directly regulate accountants, our task was to make sure that the Accounting Bodies correctly carried out their work. We now have other strings to our bow, including the review of Financial Statements and more recently, audit regulation. This is now a big part of our role, arising from EU legislation, as we now do a lot more direct inspection. The Authority is currently in the process of beefing up our inspection and enforcement capability.

Q: How would you characterise the current Regulatory Environment in Ireland?

I believe we have learned lessons from a decade or so ago. I always see Regulation as a pendulum so if you go back to when ODCE and IAASA were being set up, the pendulum was swinging toward 'something must be done'. Then as we entered the mid 2000's, the pendulum had swung back toward lighter touch regulation. At the moment, I think regulation in our area is relatively robust and in particular, with audit regulation where new legislation was commenced in Autumn 2018. We have now beefed up our audit oversight regime; a lot of that is driven by European legislation. The trend overall will be toward greater EU legislation with national legislation becoming less prominent and, in the process, the overall regulatory cycle will be less susceptible to domestic considerations and influence.

Q: Given our relative size, is regulation in Ireland subject to capture by the larger firms?

A small country will always have big players and what they bring is resources and commitment and you do have to recognise that. I do know that when IAASA puts out consultation papers, the response comes from those that have the time and the resources to give a considered response. This is also reflected in the Professional Accounting Bodies, such as the Institute and their committee structures and membership. A lot of the members are made up of the big players, they have decided to make their commitment. You can give positive or negative reasons why they make such a commitment. The positive view is that they are being altruistic deciding that they want to give a little back. Another view is that it gives them the opportunity to shape and potentially influence. As a Regulatory Authority you take the notion of 'Regulatory Capture' into consideration and there's a balance you always have to strike. As an independent authority, we need to make sure we are impervious to that. I think it is also a risk for the Professional Bodies as well and I am sure they take this into account. Overall, it is a fact of life that larger players have more power and I believe that an awareness of this is the first step to effectively dealing with it.

Q: Part of the remit of IAASA is the 'Effective Regulation of the Accounting Profession in the Public Interest'. What is meant by Public Interest?

I like to think that both IAASA as regulator and the Professional Bodies are all on the same side; in that we are both trying to serve the public interest. We are all trying to ensure that accounting is a high-quality profession which is making a strong contribution to Irish Society, business and the economy, but also all

the other things Accountants do for Society.

As Regulator, we need to be balanced; so, for example you don't try and investigate every possible allegation. We have to consider is there a public interest in carrying out a particular investigation and whether there are any real grounds. Every investigation has resource implications. Where there are grounds we will absolutely go ahead and investigate it, that is where you start looking at the public interest. Given our revised powers in relation to audit, IAASA now has a direct role for carrying out investigations, where we perceive that to be in the public interest. We are currently investing more in our Conduct and Investigations Unit. We are also developing criteria, as to what we believe constitutes the public interest and that is something we will be publicising in due course.

Q: Describe IAASA's role in supervising the Top Audit Firms, who audit Public Interest Entities (PIE's)?

We oversee the audits of those entities. Any firm that audits a PIE, we are responsible for the direct supervision and inspection of those firms – there are nine PIE audit firms in Ireland. We go into the 'Big Four' firms every year and the other five audit firms on a three-year basis. We look at two elements; (I) What is called a whole firm review and we will look at tone from the top, culture, education and training, partner remuneration, etc. (II) We will pick a sample of their individual PIE audits and we will consider whether these have been carried out to an acceptable level.

In relation to our initial findings, it is early days yet. What we have undertaken to do, is to do a first round of inspections of all the firms and from Phase 2 onwards we have committed to publish outcomes of these inspections on our website. We have not published anything yet, as we are still in Phase 1. I did make a comment in the 2017 Annual Report that, broadly speaking we would be happy enough with the standard of what we have seen, so far. As I have said, I want this to be evidenced based before I can be any more specific.

Q: Those Nine Audit Firms have one year to take any corrective action?

What we are trying to do, is to work with each of the firms to bring them on a journey. Some have a shorter journey and others have a little bit of a way to go. But the intention is that we sit down with them, finish our field work and issue draft recommendations. We will then discuss these with each firm and will engage with them in terms of our conclusions and recommendations; tell us if we have got something factually wrong. If not, we check that our recommendations are practical because once we have finalised them, the law kicks in, the year kicks in and the possibility of sanctions kick in. So, we want to, as far as possible work, with the firms and I think that for the most part, the firms have been open to that. Where the regulation needs to be robust it is and at times, it has had to be. The firms can read the law as well as we can, but ultimately know that where there is a disagreement (on whether there is an issue) the Authority will win out.

Q: In carrying out your review of these Nine Audit Firms – Is it purely legal or is there consideration of ethics?

Well there is an ethical standard for auditors but the ethical standard we apply (and which applied in the UK) is very detailed, for example non-audit fees can not be more than 70 per cent of audit fees. And to be honest if something is going to be enforced it needs to be codified. If it is not, then it really does come down to opinion. It is then really difficult to argue that there has been a breach, one which is based on 'opinion' of one professional's subjective view, of the actions taken by another professional. Therefore, we need to be able to point to clear requirements (based on what is codified) and then we can hold Professionals to account as appropriate, for breaches of those requirements, on an objective basis.

Q: Where does the investigation remit of IAASA start and that of Professional Bodies finish?

Up to now, the Authority has never taken on an investigation of an audit. The Policy of the Authority, has in the past been to direct them back to the Professional Bodies, as they have had the resources the experience and expertise to carry out investigations. So, for example when the Banking Review came about it was CARB that carried out the Banking review. Now what is going to happen is that if we decide there is a need for a public interest investigation, IAASA will make that decision, carry out the investigation and impose a sanction, where appropriate.

In addition, where the Professional Bodies believe an investigation is in the public interest, they can refer it to IAASA, and we can take a decision as to whether to investigate or not. If we decide not to investigate, it still goes back to the Professional Body for investigation. The Bodies will still be carrying out a lot of complex and long running investigations. The Authority will step in, where we decide there is a need for a public interest type (yet to be defined) investigation and IAASA will carrying this out.

Q: Is there an inequality of arms between the Regulator and those being Regulated?

There is always an inequality of arms. If you have Firms with a combined turnover of €40bn you are not going to be able to get to that level, from a resource perspective. But we are in a recruitment phase at the moment and are focussed for example on those with IT audit skills and data analytics in terms of the people we are trying to recruit. The recruitment process will always be a challenge. Part of my job is when these things become a problem, it is to highlight them and to make the argument, if a cheque needs to be written, to allow us to do our job. But we are far from alone as a regulator or a public service entity in trying to make those arguments, there are obviously limitations. However, at the moment we are not lacking in resources to do our job.

Q: How does IAASA go about espousing its board values of 'Integrity and Independence'?

Well in terms of independence, we are a separate legal entity, so we are partly funded by Government and partly funded by those we regulate. We have an independent board with a lay majority, I am a Chartered Accountant myself, there are two representatives of Accountancy Professionals and a number of other bodies who can be represented, but overall the Board has to be a lay majority. So, in terms of our role in accounting enforcement (including listed Companies and the review of their financial statements etc.) we are expected to be independent of Government in relation to that. So, where we need to draw the line we do, there have been times where we have had to make that clear. Government set Policy, the Authority makes its own decisions, yes absolutely. In terms of independence from the profession, we govern that through our lay majority on the Board. So, we do have to listen to the profession, and they do have a lot to say. We now have a technical panel on the auditing side, and they are advisory, but ultimately the decisions are made by the Authority.

Then in terms of integrity as a value, what we then try to do, and this is my responsibility as CEO and the Board's responsibility, is to inculcate a sense of what the Authority is trying to do and why we are doing it. We emphasise the need to be independent and the need to act in the best interests of the public. You are right, it is an unseen thing and sometimes, we talk about ethics and integrity. But the worst place for those values is in a code on the wall, you have got to live it. One of the great things I have seen having come into IAASA, in the last 21 months is to see how that culture is lived. The team fervently believe in the Authority's mission and all that entails. But it is the actions we take, rather than words, which matter. I would say some of our people might not be able to reel off the mission, but If you ask them how they do their job and what perspective they bring to it, this clearly illustrates our culture, it's a practical test.

Q: There's a perception with enforcement that smaller Firms are treated more harshly than larger Firms?

Yes, there is that perception. The message appears to be that the 'little guy continually getting hammered'. And the reason the little guy gets hammered is that it goes back to the nature of audit regulation and the disciplinary code are all very rules based. If you are a larger firm you can put in all sorts of procedures and processes to make sure you try and dot every 'i' and cross every 't'. The smaller Firms may not have the same robustness in terms of their rules and procedure and may not have the infrastructure. There can be a tendency at times for some of them to operate a little closer to the edge, they are trying to make money on a day to day basis, but they are not earning millions. Whereas the larger Firms ensure, for the most part, that if 'i's need to be dotted and 't's crossed, it will be done. In the case of the types of disciplinary notifications you see at the back of the accounting magazines, it is not being done, so it appears as though it's always small firms who are disciplined. To be fair to all the Professional Bodies they are all very good at publishing the results of all these investigations and related disciplinary matters. In the case of the large firms, they need to be held to account for wrongdoing like any other firm. Part of that challenge is to define what constitutes wrongdoing, which can be difficult to define. The attitude can be 'something must have gone wrong and someone must be responsible', but that is not always the case. Throughout my various roles, I have always said to our team; "Find me the offence". Having an opinion that someone is a 'bad egg' or an organisation is causing carnage out there, is not an offence. The same applies from a regulatory perspective, 'show me the breach, show me something they have done wrong', then that is something we investigate.

Q: Your view on ethics within the Accounting Profession and the wide business community?

My perspective on this is that people are people, you

have good people and bad people. There are always going to be bad people and it does not matter if they have trained to be an accountant, a solicitor or a vet. Some are just not good people and they can get themselves into positions of power and authority. I have seen many incidents of wrongdoing (in my different careers) and there are people who have got to the top of organisations who are intelligent, they may be professionally qualified in one way or another and when you see the things they get up to, your jaw drops. They can't spell ethics never mind profess to be compliant with it.

I suppose the other perspective you see is the ordinary person who just gets sucked into the 'vortex' and when you point it out to them afterwards, they cannot figure out how they have got to, where they have got to. I have also seen situations where people are nearly thankful that they have got the 'knock on the door', they have been living under such a pressure.

So, I don't think you can say that accountants will be any different. There will be good accountants, there will be bad accountants and there will be people who walk into the 'vortex' of what maybe other people are doing, in terms of poor conduct. The issue for accountants, is that they are held to a higher professional standard. There have been people who have not been convicted of a criminal offence. But then at a professional and ethical level they are found to be in breach at that level, which can lead to the person being removed from the profession. That is a risk that accountants run, they are held to a higher standard and are much more susceptible to suffering loss, as a result of wrong doing which is not held to be a breach of the criminal standard.

There are all sorts of issues about whistleblowing. If you study the history of whistleblowing, it very rarely ends well for the whistleblower. If you take a cursory review of whistleblowing both domestically and internationally, time and time again the whistleblower does not come out well. This needs to change.

Q: Your view on interaction between Company Culture and The Professional Code of Ethics?

In my experience people live their Organisation's culture every day and a Chartered Accountants Code of Ethics, is 3 or 4 clicks away and you can find it on the website and read it. But at that stage you are probably already in deep trouble, where you have taken the conscious decision to seek out the information and start wading through it. It is a very strong person who is in an organisation, where they have to pay their mortgage, who says I don't like the culture here, I am going to leave and go somewhere else.

What I have seen is that people will take on code of ethics within their own organisation or the culture or ethical basis on which their organisation operates. It is what people see, that is what people live; when people see the code initially, they think it is quite good, but when they seek to apply it, it must help them in a practical way.

People probably see their own culture and the difference between Accountants in Practice and Business. In practice, all are accountants so they are all aware that they can all lose their jobs, at a much lower threshold, than if you are an ordinary business owner. Whereas in business, I am going to say something very simplistic here, as long as it is legal, the individual is probably ok, for the most part. But for the accounting Professional, where you have this ethical threshold, your reputation is key. The spectre of Arthur Andersen still hovers over the profession. So, I think you will see in the accountants in practice they tend to focus on getting things right, as part of their culture, as they are in big trouble if it goes wrong.

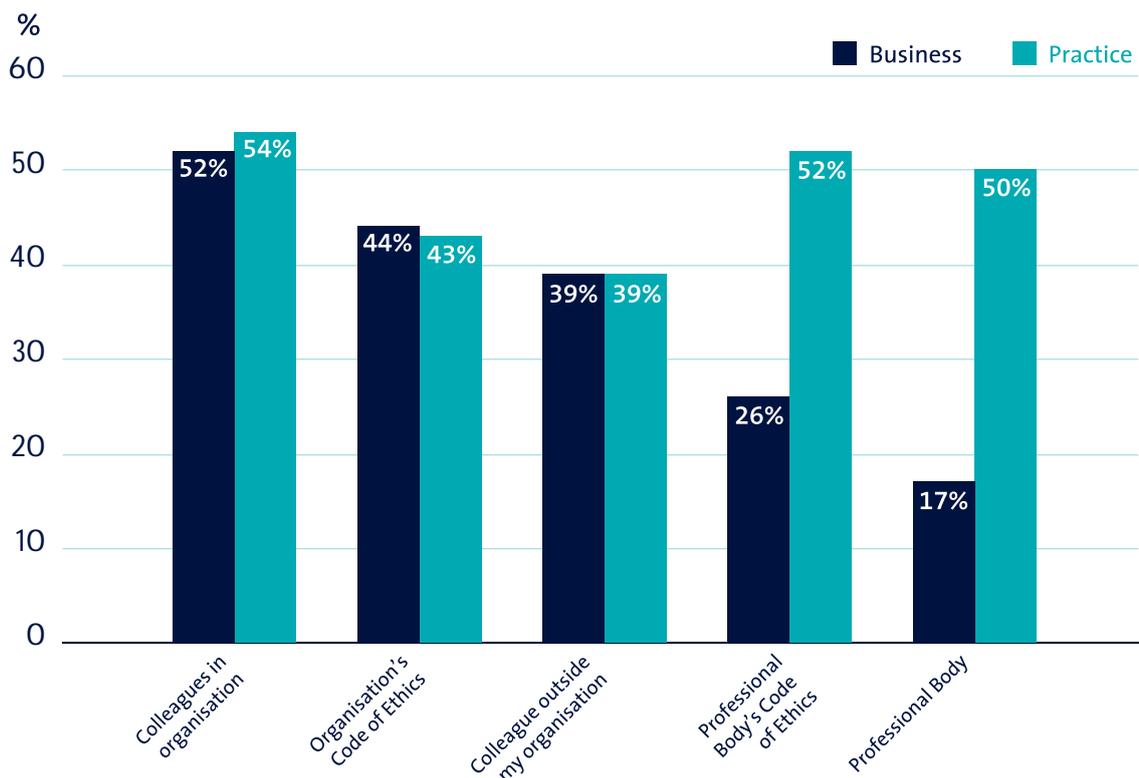
7 Ethics supports for Professional Accountants

OVERVIEW OF SUPPORTS CITED:

Overall professional colleagues and professional networks are a significant source of support in seeking ethics advice, support and guidance.

Professional Accountants were asked in the online survey to select, from a list of twelve possibilities, sources of support they have ever used or referenced to help address a significant ethical issue. The list included, for example; use of confidential helplines; contacting regulatory authorities; speaking to friends and/or family; top five items presented in chart 7.1 below, in addition to an option for none of the above.

Chart 7.1: Top five sources of supports cited by Professional Accountants as being used for advice, support or guidance on ethics



- **Overall Professional Accountants in Practice are twice as likely, 52% versus 26% as Professional Accountants in Business to consult their Professional Body's Code of Ethics**
- **Professional Accountants in Practice are more likely, 50% versus 17% as Professional Accountants in Business to consult with their Professional Body**

THE POWER OF PROFESSIONAL NETWORKS:

What was apparent, in the individual structured interviews and focus group discussions, was the power of professional networks for sounding out ethical issues. In some cases, these networks were formed when Professional Accountants undertook initial training, at the beginning of their career. Many of these networks appear to continue and remain active throughout the career of these Professional Accountants. There were examples cited of Professional Accountants consulting with colleagues, whom they have not worked with for many years; but where they clearly trusted the individual they had trained with, to discuss a particularly challenging ethical issue.

THE MOST IMPORTANT SOURCES OF SUPPORT CITED:

The survey also invited respondents to rank the list of sources of ethical support in order of what they felt was most important for them. Chart 7.2, on the next page, presents the most important sources of ethical supports cited, as identified through volumetric analysis by ranking the top three most important identified by each respondent.

- **Professional Accountants in Practice, consider their Professional Body's Code of Ethics to be more significant source of support at 20%, compared with Professional Accountants in Business, at 13% .**
- **Professional Accountants in Practice, consider their Professional Body to be a more significant source of support at 17%, compared with 7% of Professional Accountants in Business**

Chart 7.2: Comparison of the Top five most important source of ethical supports ranked by Professional Accountants in Practice and those in Business



SOLE PRACTITIONERS CONSIDER THEIR PROFESSIONAL BODY AND ITS CODE OF ETHICS, IMPORTANT SOURCES OF GUIDANCE:

It is clear from these findings, that Professional Accountants in Practice see their Professional Body, and that Body's Code of Ethics, as a much more important source of guidance in relation to ethical matters, compared to their colleagues in Business. This can be explained by the oversight role Professional Bodies play in compliance with professional standards for the services provided by Professional Accountants in Practice and also, by the greater emphasis by Practice in the technical and regulation guidance provided by Professional Bodies.

In considering the responses of all Professional Accountants in Practice, it should be noted that Sole Practitioners at 24 per cent consider the Professional Code of Ethics, to be twice as important a source of support, compared to their colleagues in 20+ Partner Practice at 12 per cent.

THE PROFESSIONAL CODE OF ETHICS:

Respondents to our online survey were asked:

(I) *As an Accountant are you subject to a Code of Ethics, through your Professional Body?*

(II) *Is compliance with the Code of Ethics through your Professional Body voluntary or mandatory?*

• **1 in 8 Professional Accountants did not know that compliance adherence to their Professional Body's Code of Ethics is mandatory. This was 12% of all respondents; made up of 4% believing the Code was 'voluntary' and 8% answering 'don't know', in responding this question.**

• **88% of respondents knew that adherence to their Professional Body's Code of Ethics is mandatory**

In response to the question;

When is the last occasion, if ever, when you consulted your Professional Body's Code of Ethics in seeking to address an ethical issue?

45% of all Respondents stated that they have consulted Professional Code of Ethics, at some point:

(1) 45 per cent of Respondents have ever consulted the Code. Of which 25 per cent did so in last 12 months, 22 per cent in the last 1 to 2 years; 18 per cent in the last 3 to 4 years and 35 per cent over 4 or more years ago

Of these 45 per cent;

(2) Professional Accountants in Practice, at 63 per cent are more likely as those in Business to consult the Code at 37 per cent.

(3) More experienced Professional Accountants are more likely to consult the Code; those with 21 years + experience, 54 per cent versus those with 5 years or less experience, at 32 per cent.

In our discussions with individual research participants, in individual structured interviews and focus groups, there was clear awareness of the existence of their Professional Body's Code of Ethics. However, there was a clear sense with many participants that the Code of Ethics itself can be quite unwieldy to use and reference on a regular basis.

It appears for some that the Code is more likely to be used only if directed to it by someone on a specific issue. Results show that use of the Code of Ethics, as a reference tool, is as infrequent as once in 15 years. If information on an ethical issue is required, other sources are found to be more useful. One of these is CHARIOT (Chartered Accountants Reference and Information Tool), although this is more technical in nature, rather than dealing directly with ethical issues. The UK Financial Reporting Council (FRC) website is also used, and even Google when trying to resolve a particular issue. That said, one interviewee did report making regular use of the Code, with a hard copy that is marked up.

This participant also believed that an additional section on risk management in their Professional Body's Code of Ethics would be useful. It was observed within a focus group that 'no written code gives you

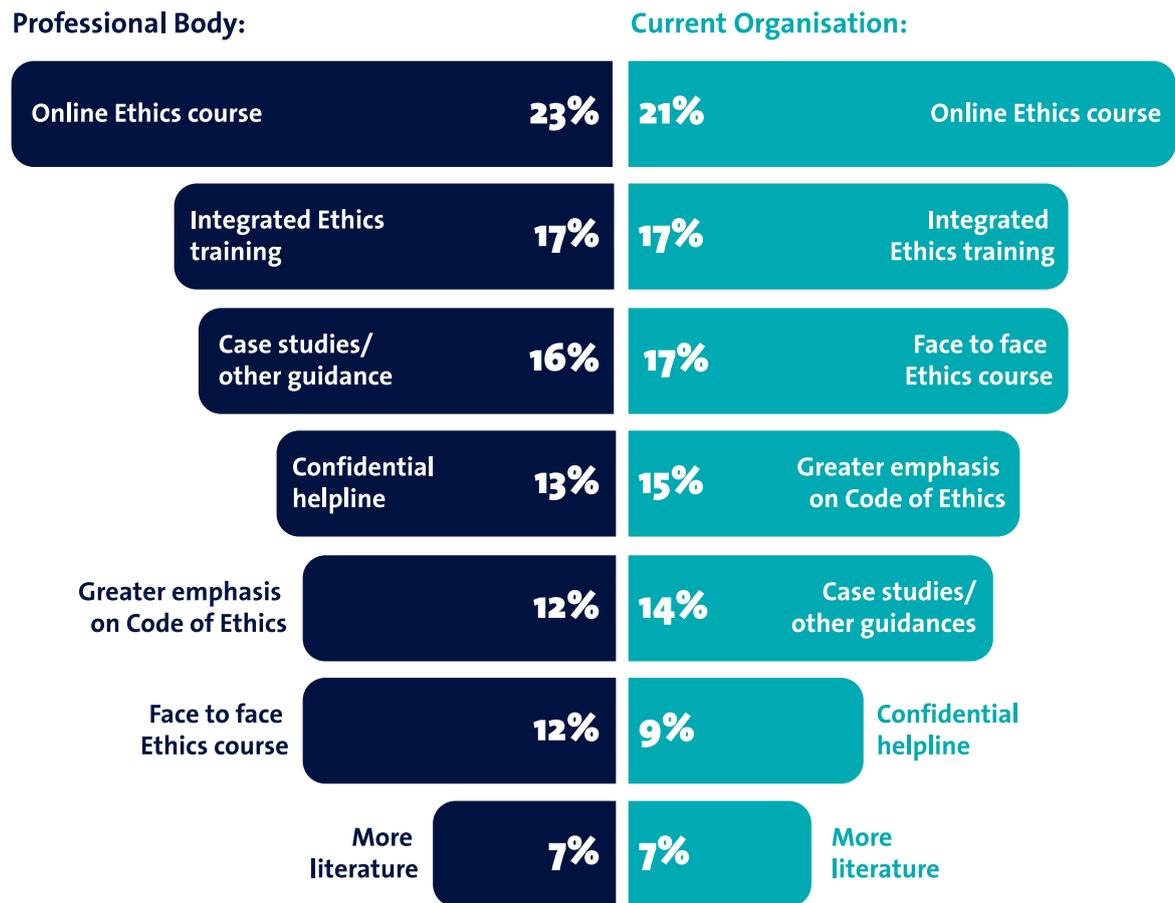
a decision' and rather what is required is interaction with someone who has experience with a particular issue albeit with reference to the code'. Helpline staff from the participating Professional Bodies noted that those who contacted them, tend to not have consulted the Professional Body's Code of Ethics, before making the call.

It is apparent from the process followed by IESBA and IFAC, and consequently each IFAC member Professional Body, that the Code of Ethics is an evolving document. For example, at the time of print of this Research Report, a restructured Code of Ethics for Professional Accountants™, designed to be more user friendly, is pending implementation by IFAC member Professional Bodies.

OTHER SPECIFIC SUPPORTS USED AND PERCEIVED USEFULNESS:

Survey respondents were provided with a randomised list of specific supports that could be offered by (a) their Professional Body and (b) their current organisation and asked to rank them in order of usefulness for building awareness and providing practical assistance to address ethical issues. The results are presented in chart 7.3 (next page).

Chart 7.3: Comparison of respondents' perceived usefulness of ethical supports that could be provided by (a) their Professional Body and (b) their current organisation



USE OF PROFESSIONAL BODY HELPLINES:

Interviewees and focus group participants voiced their appreciation of their professional bodies when seeking information on technical matters, especially in medium and smaller firms where the information might not be readily available internally. Also, there was praise for instances, whereby people seeking help are put in touch by the helpline with other Professional Body members who may have relevant knowledge and experience to resolve their difficulty.

Both participating Professional Bodies have helplines to provide guidance on ethical dilemmas, in addition

to dedicated sections of their websites containing useful material, e.g. Chartered Accountants Ireland Ethics Resource Centre. However, inquiring about ethics issues might not be so straightforward, given the often complicated nature of these issues. Also, there could be a reluctance about bringing up such an issue and fear of possible exposure to investigation by the Professional Body's regulatory function. For example, with an issue that may result in a 'whistleblowing' or 'protected disclosure' scenario, a member, despite the confidentiality of the helpline, might fear finding him/herself in double jeopardy if

an investigation resulting from their inquiry were to be traced back to them.

Most calls about ethics to the Chartered Accountants Ireland helpline are from members who are Professional Accountants in Practice, whereas 60 percent of calls to CPA Ireland are from Professional Accountants in Business. Callers to a helpline are often asked to consider what a reasonable informed third party would think about his/her decision. If there is potential for a serious violation, the person will be advised to avoid it and may be reminded of their duty to act in the public interest. Where it is considered appropriate, the member may be referred to a solicitor for legal advice.

The nature of helpline inquiries from Professional Accountants in Practice tend to be from small and medium practices, given that larger practices usually have their own internal expertise and resources. Common inquiries include potential conflicts of interest in taking on a new client, or in handing over books and records to a successor firm which is taking on a now former client, especially if there are outstanding fees.

Helpline inquiries from members in business may come from a broader range of companies, from large multinationals to mini enterprises and from private, public and charity/not-for-profit sectors. The caller may be the only financial person in a small organisation, and especially if recently qualified, needs clarification about his/her obligations. In any size organisation, the call may come from someone who feels uncomfortable about something s/he is

being asked to do. These issues are usually difficult to resolve.

While some Professional Accountants do use the Professional Body helpline for ethical issues, and have indeed found it helpful, they are more likely to turn to internal colleagues for help, feeling more secure 'behind closed doors'. Those in larger practices have internal resources to resolve ethical issues; those from smaller practices consult with other similar colleagues outside the firm, or occasionally, their Professional Body. In some instances, individuals are more likely to turn to colleagues outside their own organisations whom they trust more.

THE USE OF 'INTERNAL SOURCES OF SUPPORT':

Using the reported demographics types of organisations/sector where respondents to the online survey work, table 7.1 below provides a summary analysis of the sources of ethical support "most likely" and "least likely" to be used. The table of analysis is a summary, designed to emphasise the contrasts between types of organisation/sector, therefore it does not present a comprehensive list of supports and their likelihood of use by Professional Accountants in every type of organisation or sector. The table presents some interesting findings including that Professional Accountants in 20+ partner size accounting practices are more likely to use internal sources of support for ethical issues and Professional Accountants in listed and large private companies are least likely to reference their Professional Body's Code of Ethics.

- Large accounting practices most likely to use 'internal' supports
- Listed and large private companies least likely to use their Professional Body's Code of Ethics

Table 7.1: Summary analysis of sources of ethical support most likely and least likely to be used by Professional Accountants by type of organisation/sector'

Supports/ Overall ever used	Most likely use		Least likely use	
1. Professional Colleague within My Organisation	71% 20+ Partners	61% 2-20 Partners	39% SME	31% Sole practitioner
2. Code of conduct / Ethics – own organisation	76% 20+ Partners	55% Gov. public sect.	27% SME	21% Sole practitioner
3. Professional colleague outside my organisation	52% Sole practitioner	50% NFP/Charity & SME's	18% 20+ Partners	29% Listed companies
4. Code of conduct / Ethics professional body	57% 2-20 Partners	55% Sole practitioner	24% Listed company	24% Large private Co.
5. Professional body	61% Sole practitioner	55% 2-20 Partners	14% Listed company	10% Large private Co.
6. Family member	33% SME	29% NFP/Charity	17% Sole practitioner	15% 2-20 Partners

LARGER PRACTICE FIRMS MUCH MORE LIKELY TO USE 'INTERNAL' SOURCES OF SUPPORT:

It was clear from these research findings, that larger practice firms (20+ partners) are much more likely to use internal sources to address ethical issues, such as Professional Colleagues within their own organisation at 71 per cent and the organisation's own Code of Conduct/ Ethics at 76 per cent.

From Focus Group discussion, this was generally seen as a very useful source of support and guidance by participants who have worked in larger practice firms. That said, a number expressed the view, that sometimes there is also a value in having 'outside sources' of advice and guidance to ensure the person, has access to the broadest perspective possible.

SUGGESTIONS FOR ETHICS IN EDUCATION AND TRAINING AND OTHER FUTURE SUPPORTS:

In considering suggestions for ethics in education and training for Professional Accountants and other future supports, we have taken the direct findings from the online survey and also suggestions made as part of the verbatim comments and feedback from the individual structured interviews and focus groups. Please refer to introduction for more details on research design and the basis, in part, used for interpreting research results.

From these various sources, a number of key themes have emerged as to the types of future supports which are most likely to be effective for the different types of Professional Accountant operating in different industry sectors and those in either business or practice.

ETHICS IN EDUCATION AND TRAINING

From an analysis of the verbatim comments, as part of the online survey, there were 544 specific observations, which identified the types of supports which respondents would consider useful, to assist Professional Accountants, in handling ethical dilemmas. Of this total of 544, about 250 of these observations were quite general in nature and focused in general terms on more education and training. When combined with the findings from individual structured interviews and focus groups discussions the following key themes emerged in relation to education and training: *(Please refer to introduction for more details on research design and the basis, in part, used for interpreting research results.)*

I. Small firms and organisations, have limited resources

II. Continuous ethics training considered more effective

III. Ethics training should be ‘True to Life’

IV. Ethics training must be part of a receptive culture

V. Online ethics training is attractive

Fig 7.1: Common feedback and suggestions arising in relation to ethics in education of and training for Professional Accountants. Further detail provided in narrative below.

I. Small firms and organisations, have limited resources to spend on ethics training:

General professional training occurs both in classroom and online. Larger firms and even medium ones in practice are active in training, both internally, and in providing personnel for training by professional bodies. In-house training by accounting firms concentrates on regulation and risk avoidance, as opposed to positive ethics according to Professional Accountants who had trained in such firms.

II. Continuous and integrated ethics training considered more effective:

General and technical training was praised by interviewees and in focus groups. It was suggested that specific training about the Code could be of some use. It was also recommended that ethics should be brought into all subjects taught on accountancy curricula. However, some of the participants were not clear whether systematic ethics training is provided either in-firm or by professional bodies as part of accounting formation and CPD. There was universal agreement that such training is required, at all stages, and ethics CPD should be regular and continuous.

III. Ethics training should be ‘True to Life’, to be impactful and of practical use:

Moreover, it was agreed that ethics training should use vignettes and ethical dilemmas which should be discussed in groups. Such forums were felt to be better option, as ethics does not always lend itself to isolated online training. It was, however, acknowledged that such discussions could also be effective taking place as tele-meetings or live webinars. A suggestion was to put Professional Accountants in business and practice together for ethics training to understand and deal with pressures arising in actual working relationships.

IV. Ethics training must be part of a receptive organisational culture:

It was observed that without taking place in a receptive ethical culture, training is highly unlikely to be effective. Some Professional Accountants in Business received ethics training as part of their organisation's ethics programme. These were usually in large multinationals. However, often these consisted of short online isolated exercises, suggesting form over substance in some instances.

V. Online ethics training is attractive for time constrained and geographically dispersed Professional Accountants:

While extolling continuous CPD ethics training, sole and small practitioners may find it difficult to make the time for ethics training, as they have little or no backup when they are away from the office. In this respect, online training has been recommended by some. Similarly, those working in smaller organisations would have no in-house training resources so would need to attend outside courses. For those in rural locations, finding the time and access makes face-to-face training more difficult. Often, small organisations will finance technical training for employees, but not ethics training, regarding it as an unnecessary luxury.

OTHER FUTURE ETHICS SUPPORTS

Of the total of 544 observations and suggestions, resulting from the verbatim comment analysis referred to above, approximately 300 related to other future ethics supports and could be summarised as follows: *(Please refer to introduction for more details on research design and the basis, in part, used for interpreting research results.)*

- I. Improved communication and building awareness of ethics
- II. Develop real life case studies on ethics
- III. More online ethics resources
- IV. More publications on ethics
- V. Ethics as part of Continuous Professional Development (CPD)

Fig 7.2: Common feedback and suggestions arising in relation to other future ethics supports for Professional Accountants. Further detail provided in narrative below

I. Improved communication and building awareness of ethics:

There were a number of observations that *"ethical issues have not gone away with the recession"* and therefore there was an impetus to raise awareness of common ethical issues *"as part of publications and at speaking events, etc."*. Many shared the belief that *"providing further information on ethics, [and specifically] the impact [of unethical behaviour, in addition to the] impact of non-compliance [with codes of ethics and legislative requirements] would be very helpful"*. Those who shared this belief would also support communicating scenario analysis that reports a case of unethical behaviour and highlight what alternative actions could have been taken and how the outcome might have been affected. This segues into a related common call for *"greater transparency in reporting of ethical matters considered by [disciplinary function of Professional Bodies]"*, by presenting more information on the issues that lead to the disciplinary finding and resulting action/inaction. While calling for a tougher stance with *"greater penalties being handed*

down to members in breach of ethical guidelines”, a number of research participants also balanced this by emphasising the need for Professional Bodies to give all members the opportunity to learn from the errors of others and communicate, anonymously, the circumstances that determined a breach occurred as well as any compensating or other factors that determined the level of disciplinary sanction.

There was a common perception among some respondents that building “increased awareness [of ethical issues] at more senior levels” would encourage action to prevent similar issues occurring/reoccurring. The same cohort share the perception that such communications would also provide “assurances that the standard [of ethics] is uniform across the profession”, or at least that there is an active effort to ensure it is. This could instil confidence in many that they will not lose out by applying a high ethical standard. One example provided of where Professional Accountants fear they might lose out is when competing against the “competition” with the temptation to “lower the standard [in order] to obtain work.”

Greater emphasis on the individual's responsibility for one's own moral compass. Keep re-enforcing the importance of personal responsibility. In general, there were many suggestions to provide opportunities for “more consultation and information on how the Professional Body can support members”. There were also suggestions for publishing interviews with questions posed in relation to ethics, e.g. “High profile interviews with representatives of the [Professional Body], e.g. President [of Council]”.

II. Develop real life case studies on ethics:

Echoing similar suggestions categorised under improved communications and building awareness of ethics above, many respondents shared the view that “more information released on actual

circumstances other professionals have encountered and how they were dealt with via dissemination of case studies” would be very useful. A number of research participants agree with the belief that “circulation of real life examples of breaches and examples of where ethical standards have been successfully applied [would] highlight real life scenarios of both the standards working and the consequences for breaching the standards”. Some also suggested it would be very useful to see “[Publication of] real cases and [communication of] the action taken in cases where an unethical action is discovered”. In relation latter point the importance of anonymity was expressed by some. There were many suggestions that shared these thoughts, for example, “I think a lot more awareness of the everyday challenges that can face the accounting profession can be done. This can be done through real case studies and what the person did to overcome it”. Some emphasised that “professional media, e.g. journal/magazine”, in addition to online resources (see below) can be used to share these case studies.

III. More online ethics resources:

A common sentiment shared by respondents was that “People are very busy and time deficient”. Therefore, there a number of comments that agree with the suggestion for “online training courses”. Highlighting the importance respondents' placed on ethics a number of suggestions went further calling for some form of online ethics training to be “mandatory”. One example of such comments supporting this call includes; “Online training courses should be mandatory before you can pay your subscription to your [Professional Body] for the following year. Certificate needs to be attached to the subscription application”.

The issue of price and accessibility arose a number of times in relation to online resources with suggestions that a “[one hour] free online course “should be made available and it should be tied “into [Professional Accountants annual] CPD requirement”. While opinions did differ on whether it should be free or mandatory,

many made suggestions such as creation of “*short easily accessible podcasts*” or “10/15-minute online video [included] with each issue of [Professional Body’s journal/magazine] as a means of condensing important ethics updates and making it easy to digest.

There were mixed views on whether regular “*mails from professional body regarding ethics*” would be useful, whereas a number of respondents shared similar suggestions to including a “*section on the website devoted to ethics with access to a number of different items in previous questions (case studies, literature, online courses) which can be accessed at all times*”. Interesting that, at least during the period of this research taking place, that both participating bodies do have a dedicated open-access (i.e. no login details required) section on their websites for ethics.

There was a unique suggestion that arose, worth mentioning, to “*ask members to provide experiences of unethical behaviour, assuring them of absolute discretion. Then build a database of the issues and formulate suggested responses. This database should then be made available to members with keyword searches*”. While some practical difficulties were highlighted, e.g. issues relation to technology to build, manage and maintain such a database, there were merits in the idea including further supporting the above suggestion for development of real life cases and ensuring they are easily accessible online.

IV. More publications on ethics:

A number of comments support the suggestion that “*provision of an ethical guide highlighting potentially significant breaches of ethical behaviour with some practical examples*” would be very useful. Perhaps, echoing the call above for improved communication and development of real-life case studies, many respondents share the view that “*publication of actions ongoing in high profile cases*” would improve awareness and ensure that the consequences of unethical behaviour are clear.

While some research participants believed that “*perhaps initiatives like sending a monthly bulletin highlighting a specific ethical principle and problem would help improve understanding/adoption of ethical practices*” others believed that “*Increased reference material and articles in [Professional Body] journals*” would be sufficient.

The following comment also captures the sentiment shared by a number of respondents – “*Generally, people tend to say they are too busy to learn about topics such as [ethics] even though the intention is there to refresh and remind themselves. If there is a way to make it easy and simple for people to access a course or a summary leaflet etc*”. This sentiment captures a common undertone that arose during discussions about ethics. At first there was a slight reluctance to explore the issue or prescribe it a level of attention that matched the level of importance that participants attached to it. However, shortly after the discussion started there was a greater appetite to engage and share thoughts, experiences and suggestions on the topic and also listen attentively to those of others.

V. Continuous Professional development

Many research participants shared the view that “*CPD courses should have some reference to ethics*” or “*that a section on ethics should be added to all CPD courses*”. A number of respondents also shared comments similarly emphasising the need for CPD to “*educate members on the myriad of resources available to help with making right decisions*”. This is a particularly useful insight as it combines the suggestions of a number of resources and the idea of ‘don’t just tell me, show me’.

On the subject of CPD there were mixed views on whether there should be an annual “*mandatory CPD requirement*” for ethics training or “*as part of every 3-year CPD cycle*”. The mixed views were not

so much in relation to whether or not such CPD was mandatory, but more in relation to what that requirement would be, e.g. “1 hour”, “2 hours”, or more open and subjective requirement around “*relevant training*”. One comment that highlights the motivation shared by many for a mandatory CPD requirements is: “*[To recognise] the importance of ethics within the accountancy profession something on ethics should be compulsory as part of every 3-year CPD cycle*”.

Perhaps in keeping with earlier views expressed in relation to ensuring accessibility and encouraging efforts to ‘build awareness’, as well as ‘highlighting importance’ of ethics, or maybe in an effort to minimise costs, many participants shared the view that some element of ethics related CPD should be free, e.g. “*Have a 2-hour CPD event once a year for free*”.

8

Research findings, implications and recommendations:

Following the research design, set out in the introduction of this report, this study has succeeded in achieving the stated objectives by:

1. Developing an understanding of the ethical awareness, challenges and concerns facing Professional Accountants
2. Exploring some of the motivations and influences on members on the profession in relation to ethics in carrying on the profession
3. Recognising the types of ethical dilemmas which Professional Accountants encounter in practice and business and how they deal with them
4. Identifying whether and how ethics plays a part in the formation and maintenance of professional competences of Professional Accountants
5. Developing an understanding of the level of interaction which Professional Accountants have with codes of ethics

While the body of this report describes, in greater detail, many of the results and findings arising from the research, a summary of the overall findings and implications is set out below. This is followed by a summary of the Researchers' recommendations. The recommendations are directed at Professional Bodies, however, many of the recommended solutions are not exclusive to Professional Bodies. In presenting the overall findings, it is acknowledged that some of the findings can be categorised under more than one objective, but to simplify presentation it was categorised under what was judged to be the most appropriate objective.

1. Understanding of the ethical awareness, challenges and concerns facing Professional Accountants:

Ref	Finding	Implication
8.1	<p>Professional Accountants generally describe their own organisation as being highly ethical and very highly supportive in encouraging ethical conduct.</p> <p>See recommendations 1 and 2 below</p>	<p>In addition to highlighting a high level of ethical awareness, an implication arising also from finding 8.9 below, this suggests that many Professional Accountants perceive they work in strongly ethical work environments.</p>
8.2	<p>There is a perception among Professional Accountants in smaller Practices, that they are treated more harshly by those charged with enforcement, compliance and regulation, compared to professional colleagues in larger practices.</p> <p>See recommendations 1 and 10 below</p>	<p>There is a perceived inequality by some Professional Accountants of the regulatory and disciplinary action against smaller practices in relation to breaches of the professional Codes of Ethics. If unaddressed, this perception may lead to a tokenistic approach to complying with professional ethics requirements and demotivate smaller, less resourced, practices to engage with the process of instilling an ethical culture.</p> <p>The impact of the significant changes in regulation for larger practices involved in providing statutory audit services is not yet known and there is scepticism as to what extent it will address recent ethical issues arising in the audit profession.</p>
8.3	<p>There are significant changes in the regulation of larger audit practices and this has clear implications for these and for IAASA and FRC, who have an enhanced role in regulating these practices and for the current remit of the various Professional Bodies</p> <p>See recommendations 1, 4 and 7 below</p>	<p>Despite the various challenges that can present, for Professional Bodies and their members, in relation to regulation, results show that higher levels of familiarity with the Professional Body's disciplinary process appears to drive higher perceived levels of adequacy of it.</p>

2. The motivations and influences on members of the profession in relation to ethics in carrying on the profession

Ref	Finding	Implication
8.4	<p>Professional Accountants in Business, are less likely to have regular contact with their Professional Body compared with Professional Accountants in practice.</p> <p>See recommendations 5 and 6 below</p>	<p>This issue of ‘connection’ is a significant challenge for many membership organisations and is not criticism of the Professional Bodies. Rather it reflects a ‘reality’ that Professional Accountants will connect to their Professional Body as the need arises. In practical terms, Professional Accountants in Practice will have more reason to make contact more frequently; for example, in seeking technical support and advice on regulation and compliance matters, compared with their colleagues in business.</p> <p>The clear implication for Professional Bodies is that they may need to find different ways to engage with their members in Business, in relation to ethics guidance and support. Professional Accountants in Business who are much less likely to contact their Professional Body on a regular basis, are also much less likely to access their Body’s Code of Ethics and may have less opportunity to consult with other Professional Accountants.</p> <p>In relation to ethics, Professional Bodies motivate, through regulation and enforcement of Code of Ethics, and influence, through support, Professional Accountants in Practice. The role Professional Bodies play for Professional Accountants in Practice is very clear and is widely understood by this cohort of their membership. Professional Accountants in Business are not subject to the same extent of regulation therefore a similar reason to interact does not exist. Unless ethics supports and benefits for Professional Accountants in Business are adequately communicated, there will be less opportunities for them to engage with their Professional Bodies.</p>
8.5	<p>Professional Accountants in Business report they are ‘quite isolated’ and have less opportunities to consult with other Professional Accountants.</p> <p>See recommendations 5 and 6 below</p>	
8.6	<p>Some Professional Accountants are reluctant to contact their own Professional Body for support and guidance on ethical issues, given their Professional Body’s role in regulation and compliance.</p> <p>See recommendations 8 and 9 below</p>	
8.7	<p>Professional Accountants in smaller accounting practices are much more likely to consult their Professional Body in relation to ethics compared to other professional colleagues, in either Business or in larger practices.</p> <p>See recommendation 10 below</p>	

8.8	<p>51 per cent of Professional Accountants in Practice describe themselves as being either familiar or very familiar with the disciplinary process of their Professional Body, compared with 27 per cent of Professional Accountants in Business.</p> <p>There appears to be a correlation between levels of familiarity and the perceived adequacy of the disciplinary process. For example, while 51 per cent of Professional Accountants in Practice describe themselves as being either familiar or very familiar with the disciplinary process, 69 per cent perceive it as being adequate or very adequate.</p> <p>See recommendations 1, 5 and 9 below</p>	
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3. The types of ethical dilemmas which Professional Accountants encounter in practice and business and how they deal with them

Ref	Finding	Implication
8.9	<p>90 per cent of Professional Accountants, who responded to the research survey, reported observing or encountering some level of unethical behaviour during their professional career. The Top six most frequently observed or encountered of these include:</p> <ol style="list-style-type: none"> 1. Unethical human resource practice 2. Undue pressure/influence 3. Dishonesty 4. Bullying and harassment 5. Misrepresentation of information 6. Manipulation of information <p>See recommendations 1, 5 and 6 below</p>	<p>While many examples of unethical behaviour were highlighted within the results, the findings are clear on the most frequently observed by Professional Accountants. Results also showed the differing extents which each of these have been observed or encountered by Professional Accountants in Business and those in Practice. While the implications of any one of these unethical behaviours can be broad and varying, there is a sense, that due to the nature of their role in Practice or in Business, Professional Accountants can be exposed to unethical issues that go beyond the realm of financial reporting, auditing or any other accountancy related activity.</p>

<p>8.10</p>	<p>Accountants in Practice and in Business have observed or encountered quite a range of unethical conduct in their professional lives.</p> <p>See recommendations 1 and 4 below</p> <p><i>Note: Observing or encountering such conduct, does not mean that those respondents either condone or have participated in such conduct.</i></p>	<p>This will have implications for the role of a Professional Accountant, not just in respect of dealing with an ethical issue but also in context of their broader fiduciary or other responsibilities under regulations or their Code of Ethics.</p> <p>As also referred to in 8.1 above, this finding also implies a high level of ethical awareness. An ability to identify what constitutes unethical conduct having observed or encountered such behaviour, can be a strong indication of high levels of ethical awareness. Ethical awareness is a key component in the overall process of ethical decision making. This is because a lack of awareness that the specific issue has an ethical component can cause the Professional Accountant to fail to recognise the ethical aspect of the decision to be taken.</p>
<p>8.11</p>	<p>Professional Accountants in Business have observed or encountered more unethical conduct, compared with Professional Accountants in Practice.</p> <p>See recommendations 5 and 6 below</p>	<p>Ethical awareness is a key component in the overall process of ethical decision making. This is because a lack of awareness that the specific issue has an ethical component can cause the Professional Accountant to fail to recognise the ethical aspect of the decision to be taken.</p>
<p>8.12</p>	<p>Professional Accountants prefer “true to life” examples and case studies, which allow them to consider ethical dilemmas in practical ways, relevant to their own experience.</p> <p>See recommendation 1 below</p>	<p>Providing an evolving databank of case studies based on real life ethically challenging situations across a range of scenarios will support various Professional Accountants’, provided they cater for the typical experiences of the sector, industry or type of organisation that Professional Accountants’ are part of.</p>

4. Whether and how ethics plays a part in the formation and maintenance of professional competences of Professional Accountants

Ref	Finding	Implication
8.13	<p>There is a disconnect between high perceived levels of ethics within a Professional Accountant's organisation and the levels of ethics training provided, the overall level of support for ethics in those organisations and the extent to which ethics is a key consideration in decision making.</p> <p>See recommendations 1, 4 and 7 below</p>	<p>It will be important when providing ethical support and guidance to its members that Professional Bodies, consider situations where some individual members may have an 'overly positive' perception of ethics in their organisation, when compared with the reality on the ground.</p>
8.14	<p>Different types of Professional Accountants, i.e. those in Practice versus Business, those in large versus small organisations and those Professional Accountants in different sectors (listed, private, public sector, not for profit, etc.), have different needs, when it comes to accessing ethical support, guidance and training.</p> <p>See recommendation 4 below</p>	<p>Where Professional Bodies, seek to provide ethical support and guidance to its members, it will need to consider whether they require different channels and mechanisms, in order best target and most effectively communicate with different types of members, For example, larger practices and larger organisations are much more likely to utilise internal supports, such as consulting with internal professional colleagues and their organisations' own code of conduct/ethics, compared with sole practitioners or smaller practices.</p>
8.15	<p>Professional Accountants prefer online ethics training to be provided by both their own organisation and their Professional Body, as an effective means of providing guidance and support on ethics. Also, participants value discussion of complex ethical issues.</p>	<p>While online training may have some disadvantages compared with practical contact and dialogue of face to face training, it may be a practical alternative, where Professional Accountants are time constrained or are not in a geographical location close face to face training.</p> <p>Professional Bodies may wish to consider ways to make online training as interactive as possible, such as using webinars. Making online ethics training interactive where possible, can counter the risk of such training becoming prone to 'box ticking', by participants.</p>

<p>8.16</p>	<p>Many Professional Accountants have a preference for some form of mandatory ethics continuous educational development (CPD).</p> <p>See recommendation 3 below</p>	<p>The implications of mandatory ethics component to annual CPD requirements of Professional Accountants need to be carefully measured. While many Professional Accountants suggested it during the research, many also suggested it be provided free of charge and there were mixed views as to whether it should be part of an online CPD offering, a specific face to face course, embedded within existing CPD offerings, or all of the above. Regardless of the channel, the pros and cons of mandatory CPD may also need to be considered, including that it may lead to increased ethics awareness, and therefore improve/maintain ethical behaviour, or that it may lead to a 'tick box' exercise further distancing members from their Professional Body as they perceive this as another regulatory imposition.</p>
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5. The level of interaction which Professional Accountants have with codes of ethics

Ref	Finding	Implication
<p>8.17</p>	<p>Large accounting practices and listed or large private companies are more likely to consult their own internal supports, including colleagues or their own code of ethics in addressing ethical matters.</p> <p>See recommendations 1 and 8 below</p>	<p>It is positive to note that Professional Accountants in these organisations are, to some extent, utilising supports available. There is however a risk, that the reliability of these supports, or their level of conformity with the principles of the professional Code of Ethics, to which the Professional Accountant is accountable, is unknown.</p>
<p>8.18</p>	<p>Professional Accountants in smaller accounting practices are much more likely to consult the professional Code of Ethics compared to other professional colleagues, in either Business or in larger practices.</p> <p>See recommendation 10 below</p>	<p>It is positive to note the level of interaction that Professional Accountants in these organisations have with the professional Code of Ethics. There is a challenge for Professional Bodies to replicate this level of engagement for their members in other organisations.</p>

<p>8.19</p>	<p>Overall, approximately 45per cent of Professional Accountants, who responded to the research survey, have ever consulted the professional Code of Ethics, at some point in their professional career.</p> <p>Of those who consulted the code:</p> <ul style="list-style-type: none"> • 50 per cent of those respondents consider the code extremely or very useful; • 42 per cent considered the code somewhat useful, and; • 8 per cent considered the code neither useful nor helpful. <p>Of the 8 per cent who considered the code neither useful nor helpful, the following were the main reasons cited:</p> <ul style="list-style-type: none"> (i) Guidance provided too theoretical and not practical (ii) Took too long to locate the required information (iii) Difficult to distinguish between mandatory requirements and guidance (iv) Difficult to access the information required <p>See recommendations 7 and 10 below</p>	<p>There is a challenge for Professional Bodies to promote the existence of their Code of Ethics to improve the overall statistic of Professional Accountants who ever consulted it.</p> <p>While not ignoring the reasons why some do not find the Code of Ethics useful or helpful, the positive attributes should be shared in order to encourage greater awareness and therefore reference to the Code of Ethics.</p> <p>There is a risk that, without further emphasis or communication, once qualification as a Professional Accountant has been obtained, that some may no longer see the relevance of the Code of Ethics nor realise it is mandatory for them to comply with.</p>
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Overall Recommendations to Professional Bodies:

N°	Recommendation	Finding Addressed
1	Develop databank of practical case studies based on real life ethical scenarios We recommend these should;	
1.1	Address frequent types of ethical dilemmas encountered by different types of Professional Accountants.	8.9, 8.12

1.2	Encourage Professional Accountants to engage with those aspects of organisational culture, which best support ethical conduct. This would be positive means of identifying practical solutions of how ethical issues can be resolved. For example, the case studies can highlight situations where ethics is expected to be a key consideration, or, the case study can illustrate a number of ways to consider whether organisational culture reflects the stated ethical culture of the organisation.	8.1
1.3	Compare a likely outcome of an ethical dilemma where the Professional Accountant has strong ethical awareness with the outcome for a colleague with a poor level of ethical awareness.	8.10
1.4	Illustrate the difference between those organisations which take a tokenistic approach to ethics, compared with others which demonstrate strong ethical conduct in practical ways through effective ethical culture, effective ethical decision making and practical ethics training.	8.13
1.5	Demonstrate the benefits of utilising both 'internal and external' sources of support to address ethical dilemmas, as an effective means to counter 'isolated decision making, or group think'.	8.17
1.6	Communicate in specific terms how and why particular breaches of the rules occur based, anonymously, on disciplinary cases. It would be useful to emphasise the enforcement message, that size of organisation, or potential impact of issue, is not a defence for unethical behaviour.	8.2, 8.3, 8.8
1.7	Be updated on a regular basis to consider future types of ethical dilemmas which are likely to emerge because of changes to regulation or through the development of new technology which impacts the accounting profession. For example, what are the ethical implications and who is responsible for the conduct of future audits, where sampling is undertaken using algorithms?	8.3, 8.12

2	Establish ethical role models. We recommend this to involve:	
2.1	Creating ethical awareness and encouraging ethical behaviour by inviting those within an organisation to identify individuals within the organisation, or elsewhere, whom they consider to be 'role models' for ethical conduct. This can help to identify potential allies to engage with, as a means of most effectively addressing an ethical issue.	8.1
3	Introduce a mandatory, but accessible, ethics component to Continuous Professional Development (CPD) or post qualification training requirements. We recommend:	
3.1	Ensuring that any introduction of a mandatory ethics CPD requirement is combined with the availability of a range of accessible online ethics training modules that enable Professional Accountants to meet their obligation.	8.15, 8.16
3.2	Ensuring that the range of accessible online ethics training is regularly refreshed and contains interactive elements and makes use of practical real-life ethical dilemmas which the target audience of Professional Accountants is likely to face in their working environments.	8.15, 8.16
4	Ensure training, for accounting students and Professional Accountants, contains relevant and insightful ethics content. We recommend training to:	
4.1	Emphasise the role and importance of strong ethical awareness in making effective ethical decisions, including highlighting common ethical issues that arise.	8.10
4.2	Provide insights that assist with accurately analysing the ethical landscape within an organisation. This will assist Professional Accountants to most effectively deal with ethical dilemmas and identify approaches which are most likely to succeed in addressing their individual concerns.	8.13

4.3	Take into consideration the outcome of IAASA and FRC inspections, and any ethical conduct matters arising, under the new regulatory regime for Public Interest Entity (PIE) audits. As inspections become public, there may be learning or the development of possible best practice by PIE audits, which could be adopted by smaller practices or individual Professional Accountants in Business and Practice.	8.3
4.4	<p>Include a tailored offering to address the differing needs for the various types of Professional Accountants; for example, the following supports could be provided:</p> <ul style="list-style-type: none"> — Sole practitioners: This may include the provision of online ethics courses and integrated ethics training. — Professional Accountants in Business (smaller organisations): Training can also provide access to informal professional networks to counter a perceived isolation from other professional colleagues. Training should communicate the confidential nature of the services provided by the Professional Body, or other sources of support, to counter reluctance by some Professional Accountants to engage with their Professional Body for ethical support and guidance. — Professional Accountants in large organisations (Practice and Business): Professional Accountants in these types of organisations will typically rely on ‘internal’ ethical supports. Professional Bodies could consider using training as an opportunity to provide these Professional Accountants with an ‘external perspective’ as a counter to making decisions in isolation and to assist in countering group think. This could be complemented by providing ‘real life’ case studies, illustrating scenarios which are highly relevant to these types of organisations. 	8.14, 8.15
5	Improve engagement with Professional Accountants in relation to their professional ethics. We recommend:	
5.1	Identifying ways in which Professional Accountants in Business (particularly those in smaller organisations) will be encouraged to have more regular engagement with their professional body, as an effective means of seeking ethical support and guidance.	8.4, 8.5, 8.9, 8.11.

5.2	Identifying different ways to communicate the outcomes of disciplinary processes which are undertaken in relation to unethical conduct as a means of driving the perceived levels of adequacy and perceptions of transparency of this process among Professional Accountants.	8.8
6	Develop professional networking opportunities in relation to ethics for potentially more isolated Professional Accountants. We recommend:	
6.1	Considering ways in which potentially isolated Professional Accountants, e.g. those in small organisations or rural locations, can be put in contact with other professional colleagues in their locality in order to provide a means of practical support. This could be achieved through the development of informal online and or face to face meeting opportunities or through the development of formal or informal mentoring networks across different geographical areas.	8.4, 8.5, 8.9, 8.11.
7	Develop practical supports to assist Professional Accountants in effectively addressing ethical issues. We recommend these supports:	
7.1	Provide a methodology that assists with accurately analysing the ethical landscape within an organisation. This will assist Professional Accountants to most effectively deal with ethical dilemmas and identify approaches which are most likely to succeed in addressing their individual concerns.	8.13
7.2	Evolve in tandem with changes to the Code of Ethics or emerging considerations as a result of changes to regulation. For example, recent changes in relation to audit of Public Interest Entities (PIEs) will relate to the largest practices initially, however, over time such considerations may become best practice for other practices as these regulations evolve.	8.3
7.3	Developing a short guide as a means of improving the accessibility of the professional Code of Ethics in order to address some of the obstacles cited in the research by Professional Accountants who found its use unhelpful.	8.19

8	Provide a confidential Professional Body 'live' support service We recommend:	
8.1	Promoting the 'live' supports in existence, e.g. helplines for Professional Accountants. The promotion of same may highlight the benefit of such support to those who rely on 'internal supports' within organisations and may be seeking an impartial and external perspective. Such an approach can be useful to counter the potential for either 'isolation or group think' which can sometimes emerge, where there is an overreliance on 'internal supports', as a means of addressing ethical issues.	8.17
8.2	Emphasising the confidential nature of the service, as a means of addressing any reluctance by members to consult with their Professional Body, for guidance and support on ethical matters.	8.6
9	Improve understanding of Professional Bodies' role in providing ethics support to members. We recommend:	
9.1	Communicate clearly to Professional Accountants, the distinction between the Professional Body's role in supporting members and their role in regulating conduct. Professional Bodies should set out clear parameters whereby members can effectively engage with them to ensure their interaction is both effective and confidential.	8.6
9.2	Communicate clearly the nature and scope of the disciplinary process within Professional Bodies as a means of increasing familiarity amongst Professional Accountants and also assisting with transparency.	8.8
10	Tailor ethics supports to improve access to Professional Body's Code of Ethics. We recommend:	
10.1	Active promotion of the existence of the professional Code of Ethics, in order to encourage a broader range of Professional Accountants to consult the Code.	8.19
10.2	Ensuring that a diverse range of ethics supports linked to improving access to the Professional Body's Code of Ethics are available to cater to Professional Accountants working in various sectors and industries. Currently, those most likely to benefit from supports are the Professional Body's Code of Ethics most frequent users, i.e. sole practitioners and those practices with 2 – 20 partners.	8.7, 8.18

10.3	Reviewing the types of practical supports which are made available to sole practitioners and smaller practices. Where there is a concentration of rule breaches among small practices, professional bodies need to consider providing practical support and procedural templates, which might prevent those practices from breaching these rules inadvertently.	8.2
10.4	Developing a short guide as a means of improving the accessibility of the professional Code of Ethics in order to address some of the obstacles cited in the research by Professional Accountants who found its use unhelpful.	8.19

Published by:
Chartered Accountants Ireland
Chartered Accountants House
47-49 Pearse Street - Dublin 2

www.charteredaccountants.ie

Chartered Accountants Ireland is the operational name of the Institute of Chartered Accountants in Ireland.

Primary sponsor of the research:
Chartered Accountants Ireland Educational Trust

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Professional Bodies who participated in the research:



