

Ethics and you - *under pressure?*

CIPFA South East - Spring Conference

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Rick Tazzini *FCPFA*



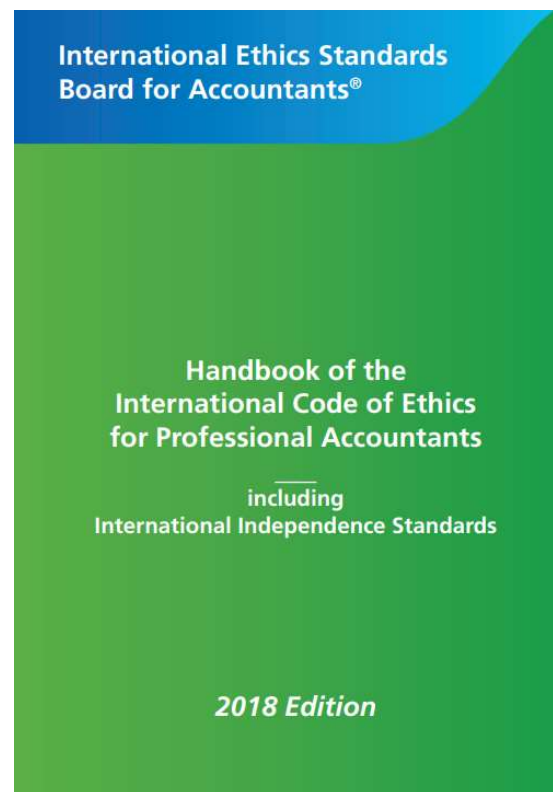
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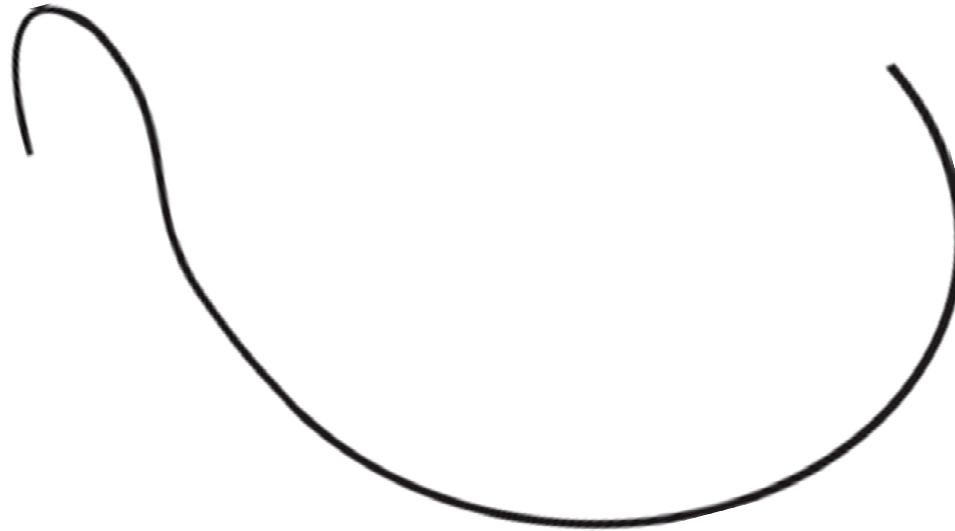
Ethics survey



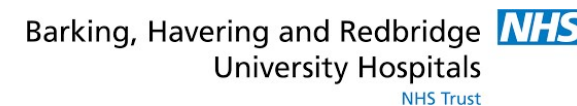
2018 Code



How long is a piece of string?



When financial reporting goes wrong





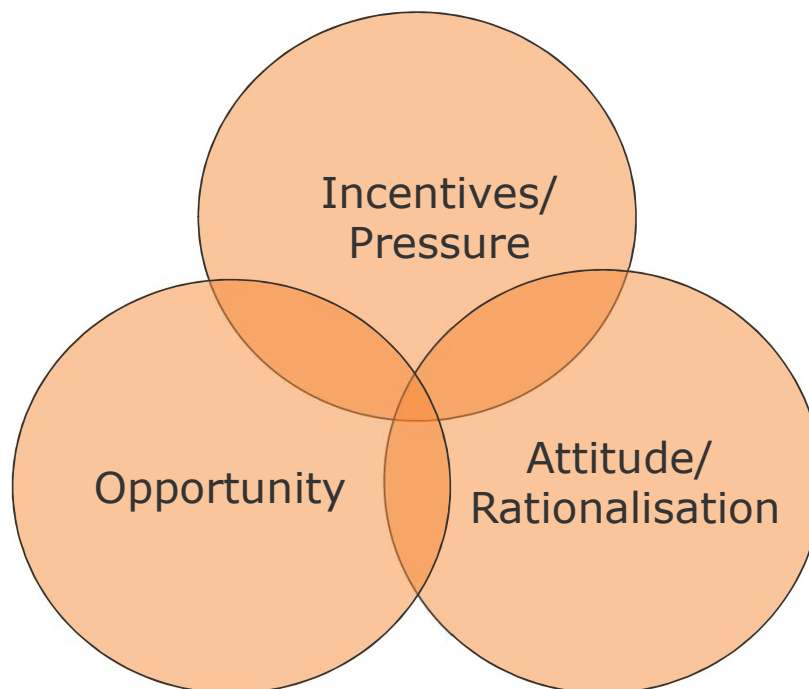
Theft Act 1968

17 False accounting.

- (1) Where a person dishonestly, with a view to gain for himself or another or with intent to cause loss to another,—
 - (a) destroys, defaces, conceals or falsifies any account or any record or document made or required for any accounting purpose; or
 - (b) in furnishing information for any purpose produces or makes use of any account, or any such record or document as aforesaid, which to his knowledge is or may be misleading, false or deceptive in a material particular;he shall, on conviction on indictment, be liable to imprisonment for a term not exceeding seven years.
- (2) For purposes of this section a person who makes or concurs in making in an account or other document an entry which is or may be misleading, false or deceptive in a material particular, or who omits or concurs in omitting a material particular from an account or other document, is to be treated as falsifying the account or document.

Why do people do it?

"We must hit the numbers"



"Nobody really checks"

"It's OK, everyone's doing it"



Increasingly challenging landscape

- Austerity / funding squeeze
- Greater commercialisation
- Hitting targets / “Control Totals”
- Incentives / rewards for organisation
- Complex contracts / trading vehicles
- Politics - local and central
- Regulator pressure and demands
- Keeping up with peers / ambition
- Job insecurity / whistleblowing
- Resources – staff & skills



ETHICS
SURVEY

FULL
RESULTS

June to July 2018

- Survey Monkey - 18 questions
- Publicised - Public Finance and social media
- One of the largest accounting ethics surveys you'll find!



Survey June- July 2018 - 487 respondents

CIPFA 77%

Qualified 86%

70% qualified 10+ years

Sectors

Local Government	239
NHS	52
Civil Service / Regulator	41
Charity / NfP / Housing	23
FE / HE / Schools	15
Police / Fire	14
Audit Firm	12
Other incl Consultants, Commercial	56
Retired / not working / break	35

Survey Questions

***About you** - Qualified, Qualification, Role, Sector, Years qualified*

- **Have you ever been put or felt under pressure to act unethically?**
- How **many times?**
- **Who** put you under pressure?
- **What** were you asked to do?
- Were you offered **incentives?**
- Did you feel under **threat?**
- Did you **undertake** the unethical task?
- What **consequences** did you experience?
- Have you **read** your Institute's **Code of Ethics** in last 3 years?

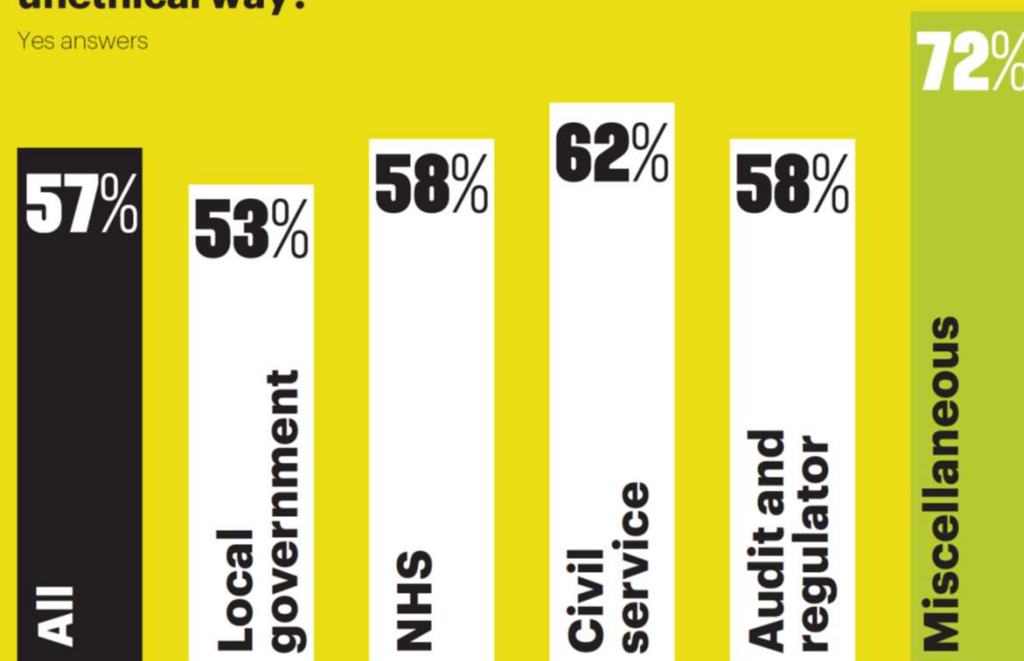
57%

ETHICS SURVEY RESPONDENTS

SAID THEY HAD BEEN PUT UNDER
PRESSURE TO ACT IN A
PROFESSIONALLY UNETHICAL WAY

Have you ever been put under pressure or felt under pressure to act in a professionally unethical way?

Yes answers

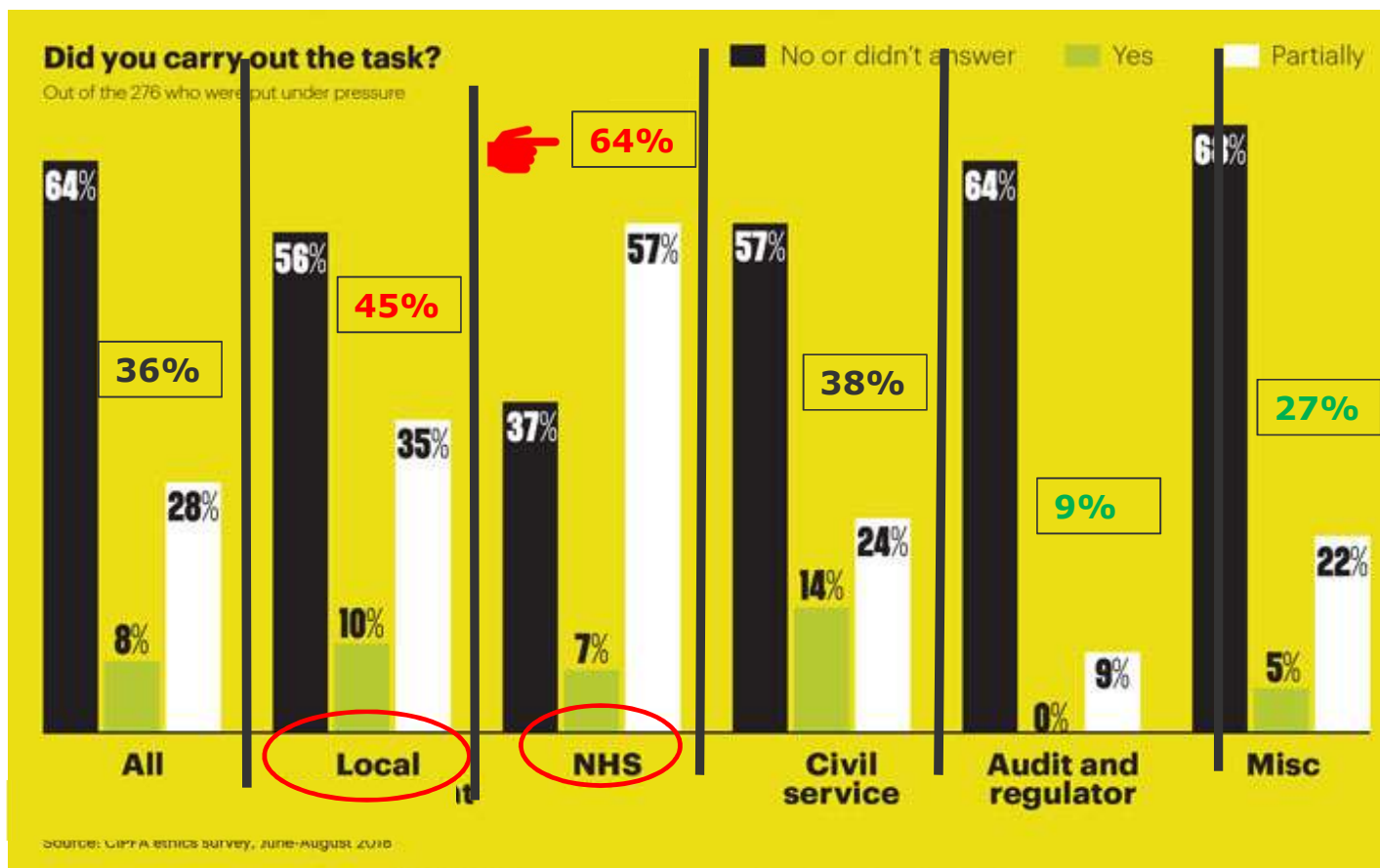


Miscellaneous includes: police, fire, not for profit, charities, housing, commercial, interims, further education, higher education, schools

36%

EITHER FULLY OR PARTIALLY
CARRIED OUT THE UNETHICAL TASK

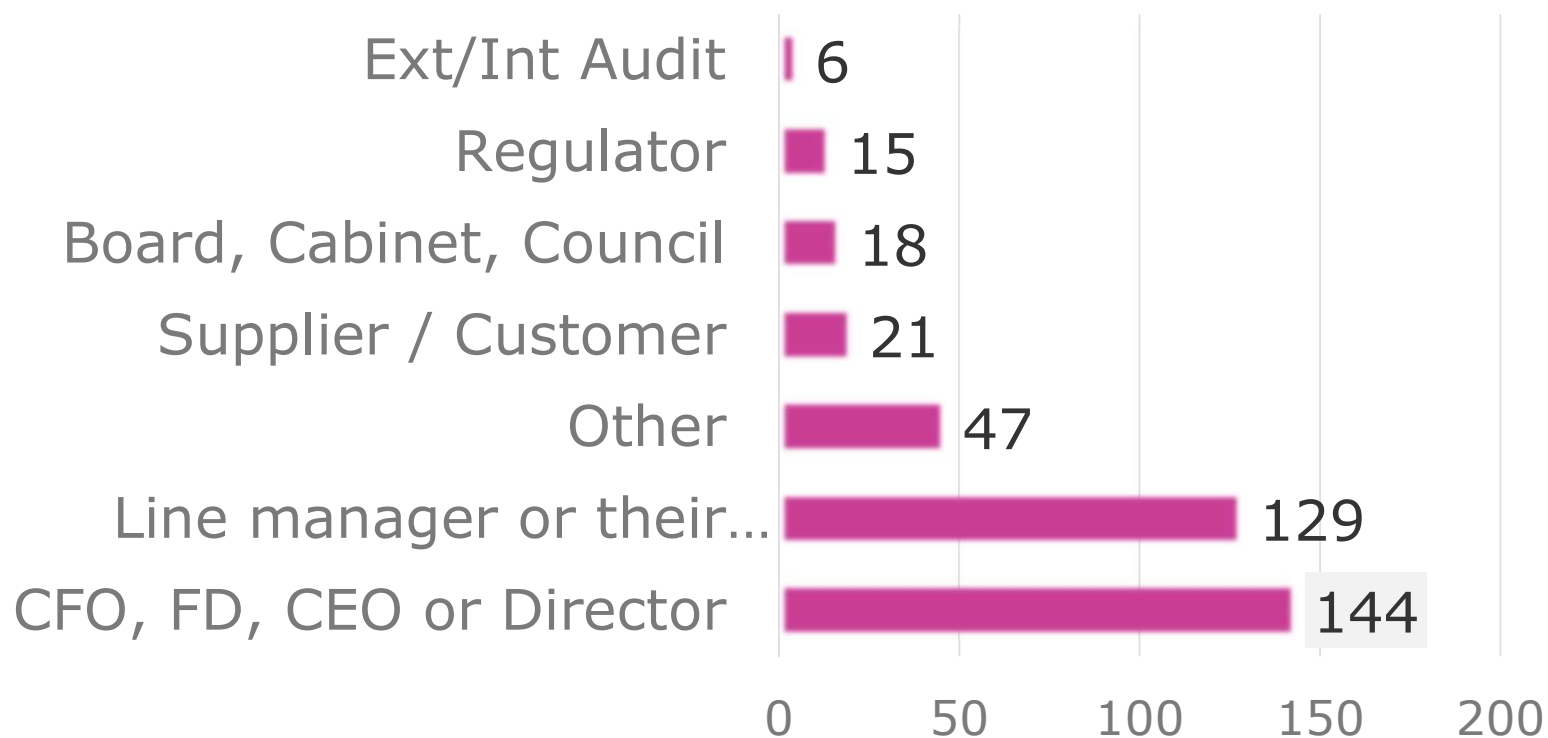
Did you carry out the task?



Have you felt under pressure to do the following?



Who put you under pressure?

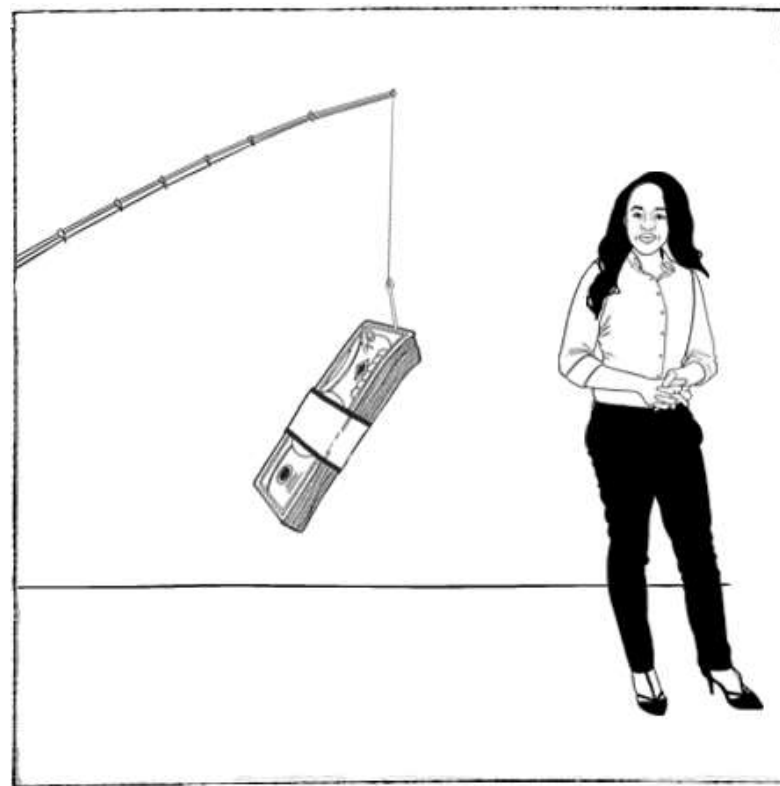


Were you offered incentives?

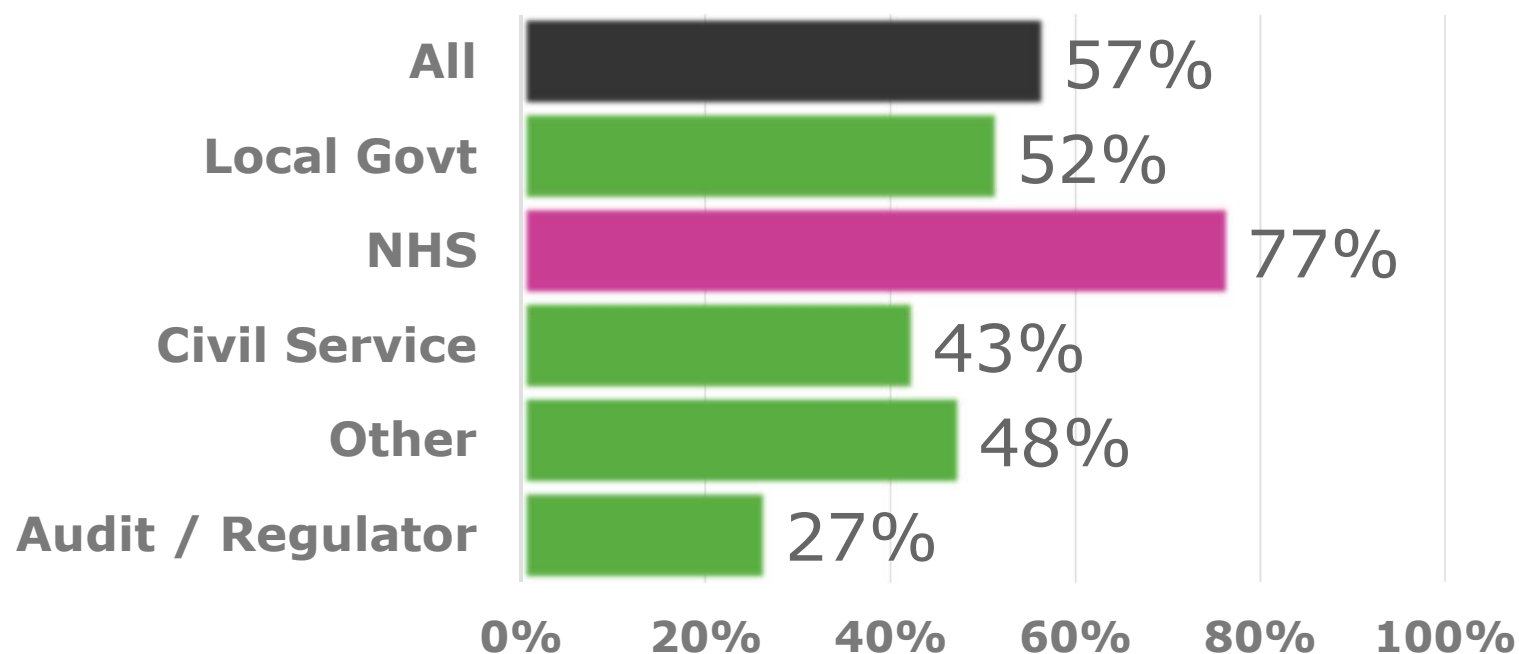
Yes 1%

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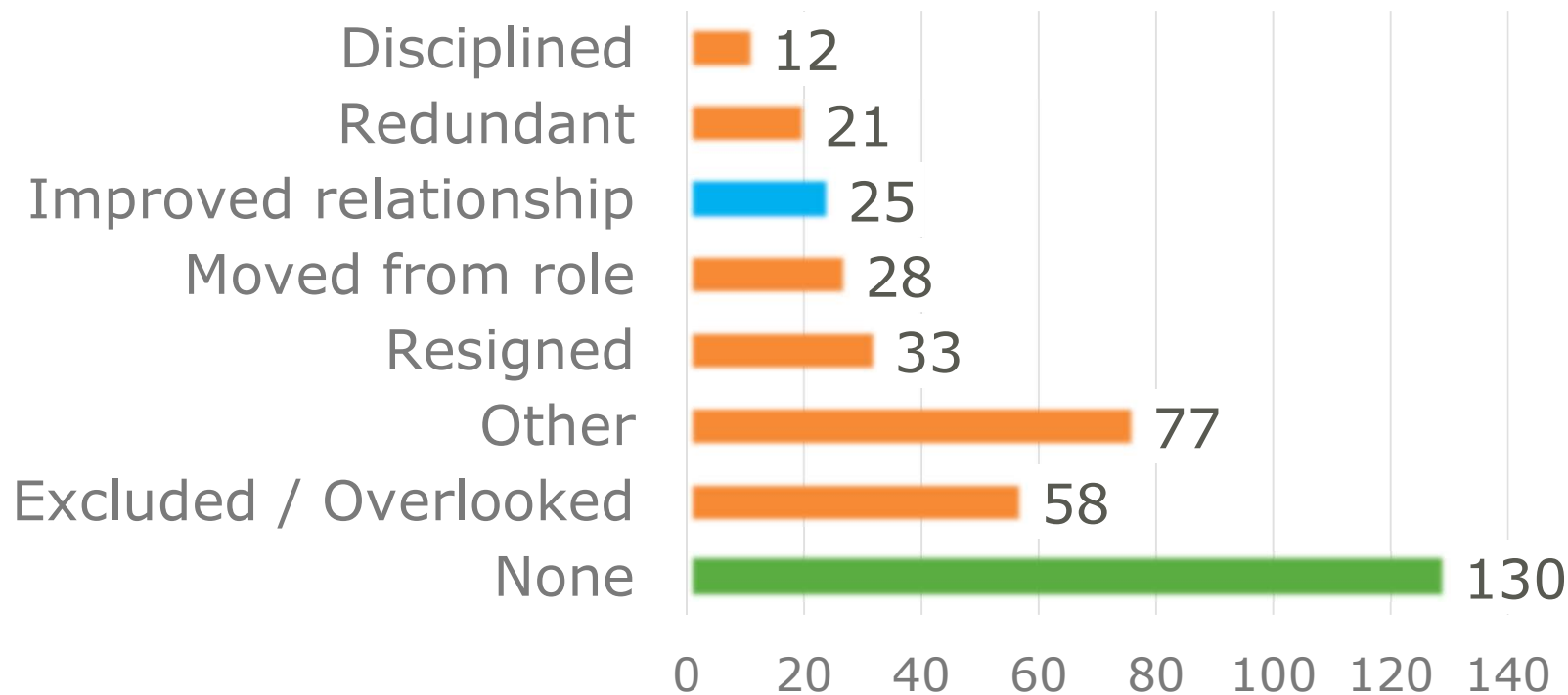
No 99%



Did you feel under threat?



What consequences did you suffer?



As resources continue to reduce,
the number of ethically challenging
situations increases

Team leader, civil service

It's amazing that we have all these policies in
place but do not protect the finance department
at year end or month end

Accountant, NHS

There is a clear temptation
to do the 'pleasing' thing
rather than the right thing

Chief finance officer, local government

'Commercialism' and 'doing things differently' were
excuses for deviating from contract rules, financial
rules and procurement regulations

Procurement officer, local government

The ability to push back on pressure to adopt unethical positions is often dependent on your own strength of personality or feeling of security

Assistant Director housing

There is a very wide spectrum regarding unethical behaviour, which could range from ignoring or contributing to corrupt practices at one end of the scale, to being pragmatic and managing fairly low-level situations

Assistant Director local government

I have been encouraging civil servants/public sector employees to do the right thing; not the other way around. We have made 'consulting with a conscience' our firm motto

Consultant

The NHS Regional office exerted unreasonable pressure on me over the space of 6-9 months - resulting in me resigning from a job that I love

Director nhs

49%

HAD NOT READ THEIR
CODE OF ETHICS IN THE PAST
THREE YEARS

New Code of Ethics for Professional Accountants

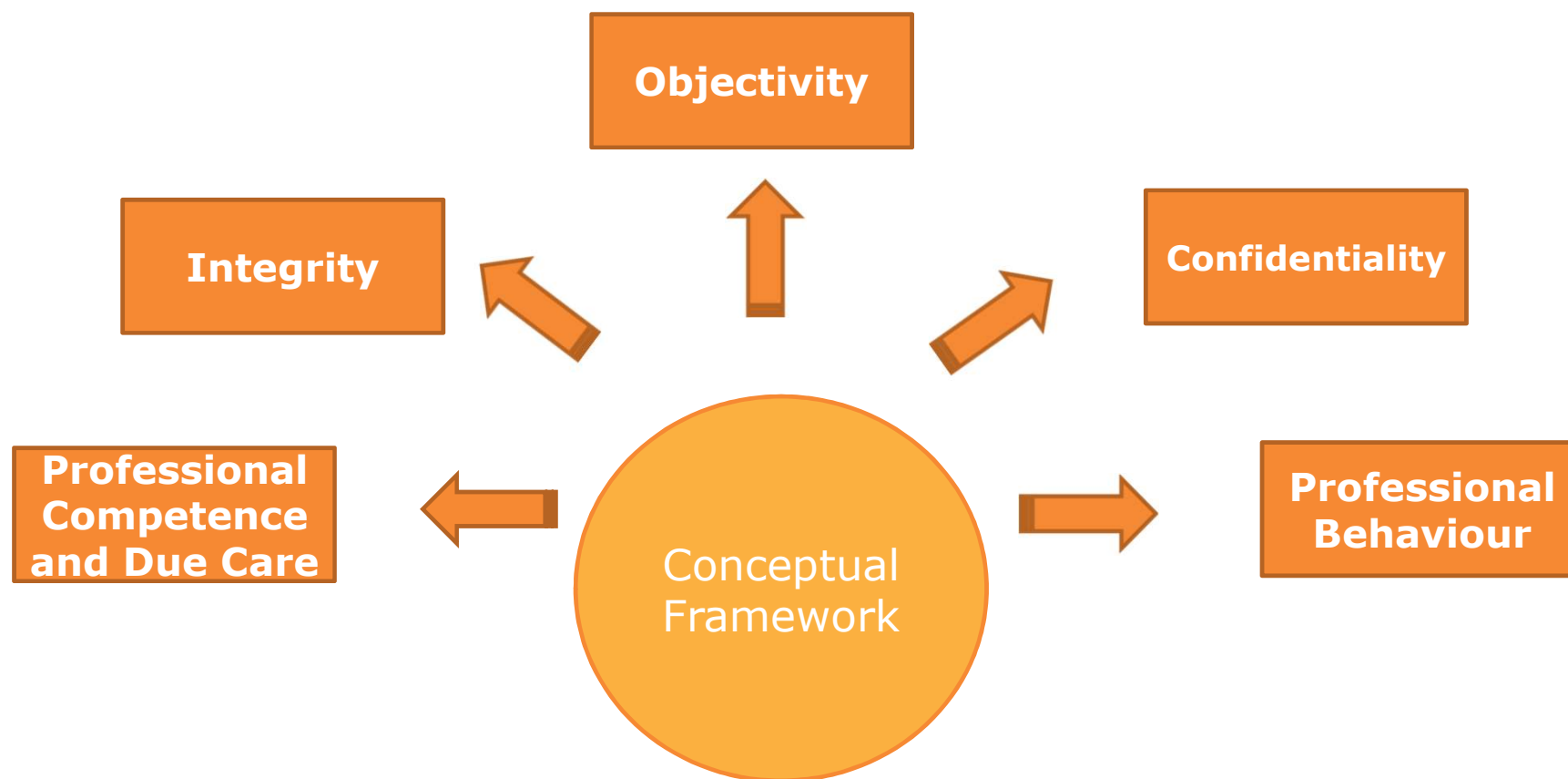


Part 1 Fundamental principles and Conceptual framework



- a **distinguishing mark** of the accountancy profession is its **acceptance of the responsibility to act** in the **public interest**
- a professional accountant's **responsibility** is **not exclusively** to **satisfy** the **needs** of an individual **client** or **employer**
- a professional accountant shall **comply** with the Code [and] with **each** of the **fundamental principles**

Five Fundamental principles



Integrity

Straightforward and **honest** in all professional & business relationships.

Shall not knowingly be associated with reports, returns and communications... where the accountant believes that the information:

- Contains **materially false** or **mis-leading** statement;
- Contains statements or information **provided recklessly**; or
- **Omits or obscures** required information where such omission or obscurity would be mis-leading.

[When becomes aware of above] shall take steps to be **disassociated** from that information



Objectivity

Requires an accountant **not to compromise professional** or business judgment because of **bias, conflict of interest** or undue influence of others.

A professional accountant **shall not undertake** a professional activity if a circumstance or relationship **unduly influences** the accountant's **professional judgment** regarding that activity.





Professional competence and due care

Attain and **maintain professional knowledge** and skill at the level required to ensure.... **competent professional services** based on current technical and professional standards and relevant legislation.

To **act diligently** in accordance with applicable **technical and professional standards**.

Requires the **exercise of sound judgment**

Take reasonable steps to ensure those under your authority have **appropriate training and supervision**





Conceptual framework



- Exercise **professional judgment**
- **Remain alert** to new info and changes in facts and circumstances
- Use the “**reasonable and informed third party test**”



Reasonable and informed third party test

- Would the **same conclusions** be reached by another party?
- Made from the perspective of a reasonable and informed third party, who **weighs up all relevant facts** and **circumstances** that the accountants knows or could be reasonably expected to know, at time conclusions are made.
- Does not need to be an accountant, but possess relevant knowledge and experience **to understand and evaluate** in an **impartial** manner.

Compliance Threats



Self-interest

Self-review

Advocacy

Familiarity

Intimidation

Part 2 Professional Accountants in Business

- Conflicts of Interest
- Acting with sufficient expertise
- Preparation and presentation of information
- Non compliance with laws and regulations “NOCLAR” [new]
- Pressure to breach the fundamental principles [new]



Preparation and Presentation of Information



- Prepare **information in accordance with relevant** reporting framework;
- Prepare or present information in a manner that is intended **neither to mis-lead nor** to influence contractual or regulatory outcomes **inappropriately**;

Preparation and Presentation of Information



- Exercise **professional judgment** to;
 - Represent the facts **accurately and completely** in all material respects
 - Describes clearly the **true nature** of business transactions or activities
 - Classify and record information in a **timely and proper** manner
- **Not omit anything with intention** of rendering info **mis-leading** or of **influencing** contractual or regulatory outcomes **inappropriately**.

“NOCLAR” *NEW*



Para 260

Non-compliance with laws and regulations.... that causes **substantial** harm or results in serious adverse consequence in financial or non-financial terms

e.g. fraud, corruption, money laundering, data protection, banking, tax and pension liabilities and payments. health and safety, environmental etc...

Understand and address the issue –determine action required.

***Senior Professional Accountants** – greater expectation take action in the public interest to respond to non-compliance

Pressure to Breach the Fundamental Principles



- A professional accountant shall **not**:
- **Allow pressure from others** to result in a breach of compliance...
- **Place pressure on others** that the accountant knows, or has reason to believe, would result in others breaching the fundamental principles

Examples of pressure to influence

- Report misleading results
- Misrepresent programmes or projects
- Mis-state income, expenditure, rates of return to bias decision making
- Suppress audit findings
- Approve expenditure that is not legitimate
- Manipulate KPIs to benefit reward/compensation
- Perform a task without sufficient skills, resources or with unrealistic deadlines



Safeguards - Who to talk to

- Your manager, Assistant Directors, Deputy
 - CEO, CFO, Accounting Officer, Section 151 Officer
 - Audit or Finance Committee Chair
 - Chair of Board, Leader of Council
-
- External:
 - Trusted colleagues
 - External Auditor
 - Professional membership body
 - Networks / Associations
 - Regulator
 - National Audit Office
 - Union



What should you do?

- Read and understand the SOPP / Code of Ethics
- Promote an ethics-based culture in your workplace
- Challenge, if necessary...
- Inform non-finance colleagues of your professional responsibilities
- Call out inappropriate practice & behaviour
- Do not pressurise your team
- Seek support if you need it
- Remember - The more senior you are, the greater responsibility





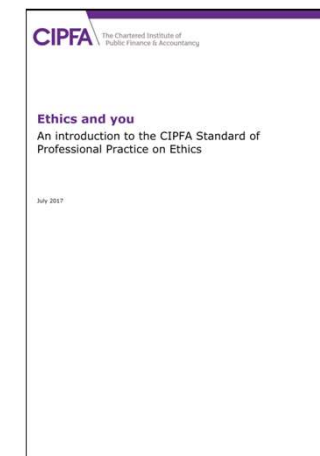
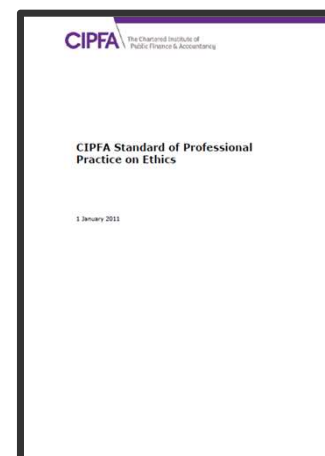
FISCUM SERVA FIDELITER

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to faithfully keep the public purse

What is CIPFA doing?

- CIPFA Council agreed to adopt the Code on 27 Sept 2018
 - Revised Standard of Professional Practice (**SOPP**)
 - **SOPP Implemented** November 2018
 - Updated “**Ethics and You**” handbook
-
- Review Ethics in Professional Qualification
 - CPD: Regional presentations
 - Website – Ethics pages with stories
 - *Members’ Hotline?*
 - *Resources - E-learning?*



Download the IESBA Code
www.ethicsboard.org/iesba-code

Read CIPFA's guidance
www.cipfa.org/ethics

Get in touch
www.linkedin.com/in/rick-tazzini

