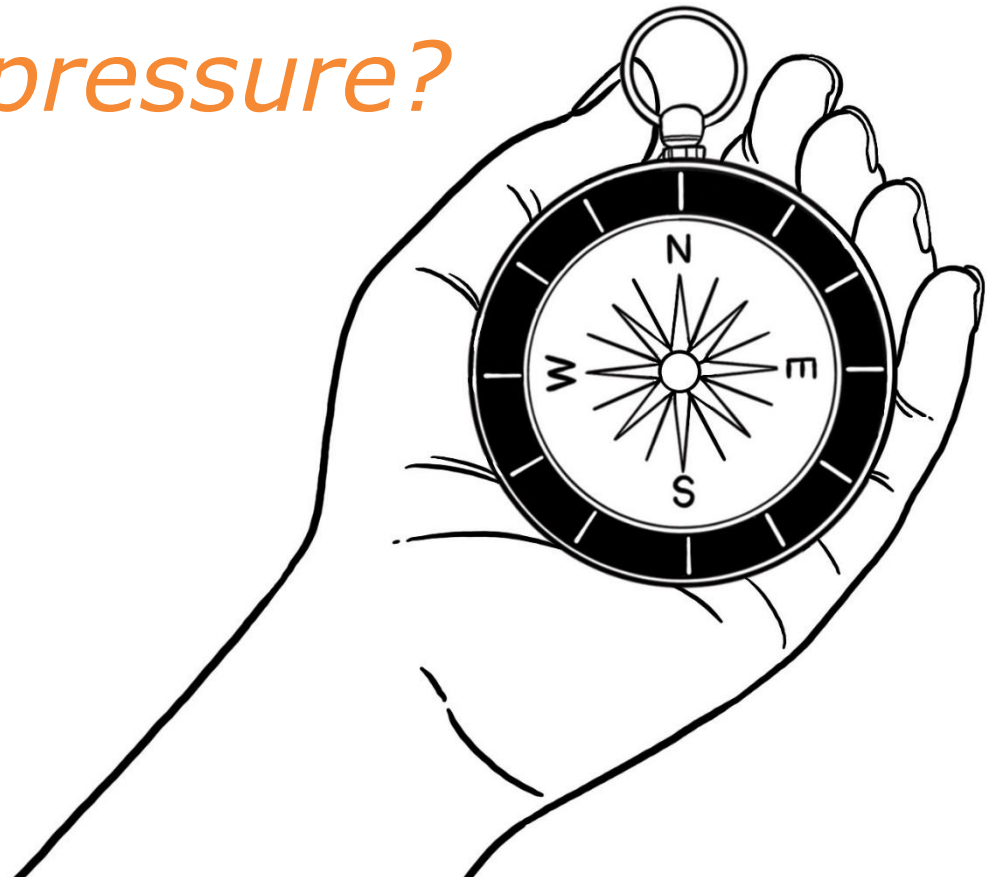


Ethics - *under pressure?*

CIPFA Accountancy Europe
Professional Update Event

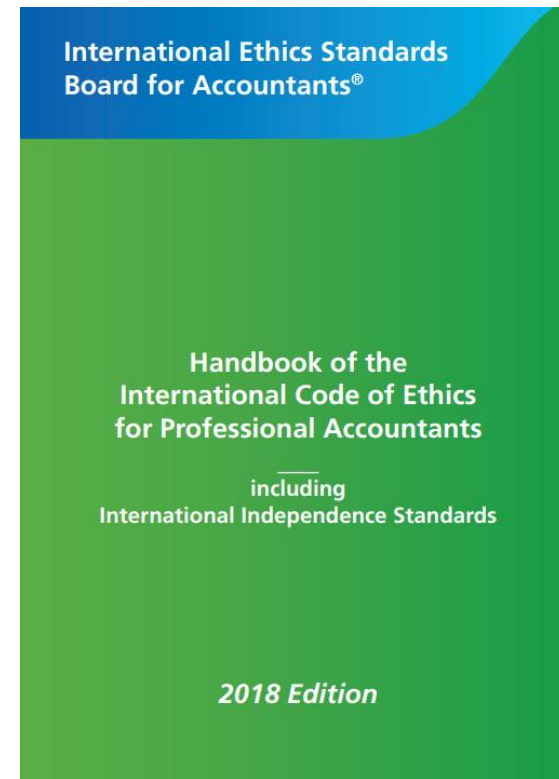
Drew Cullen
Director, Public Affairs



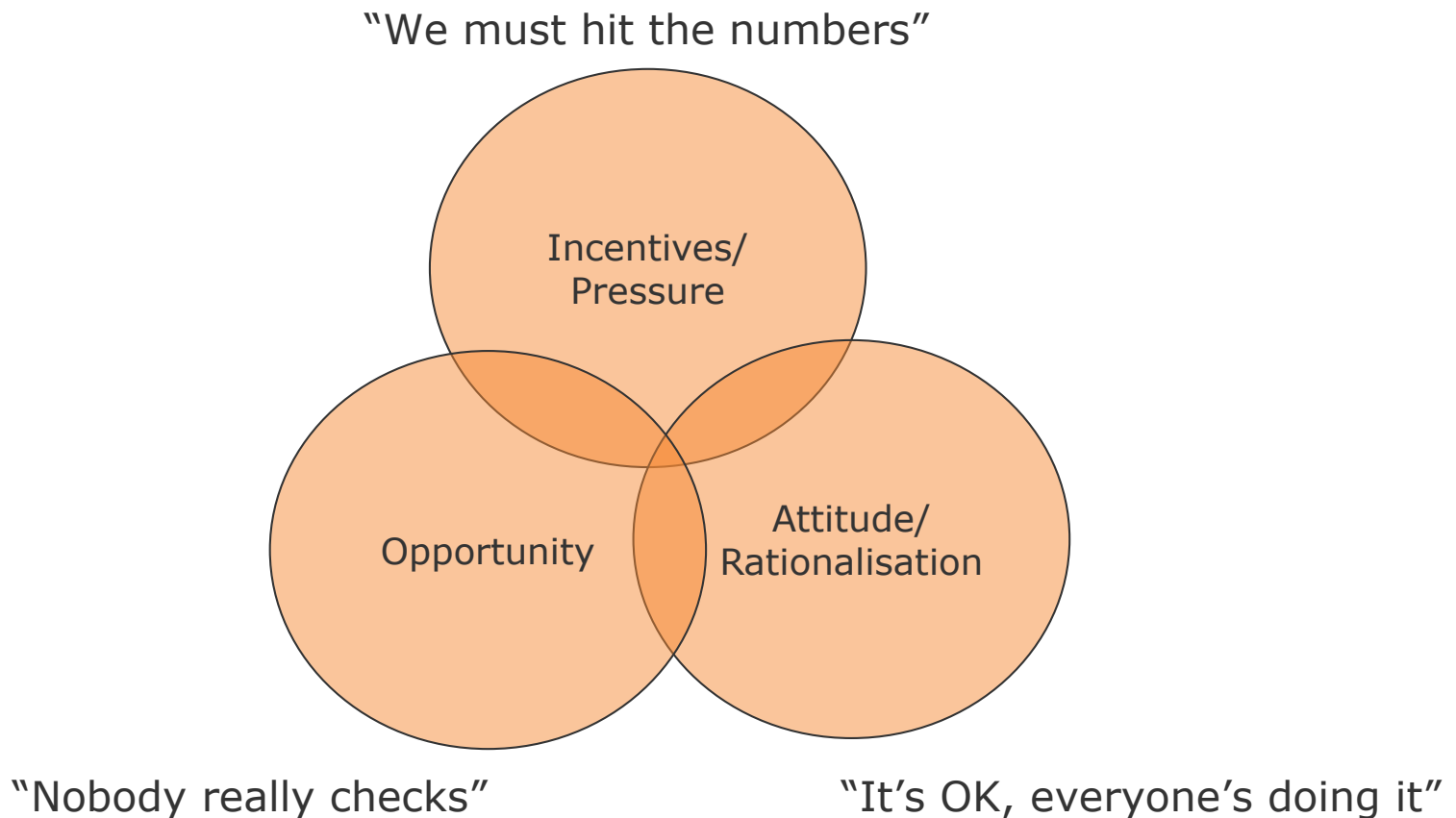
Ethics survey



2018 Code



What puts people under pressure?



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?

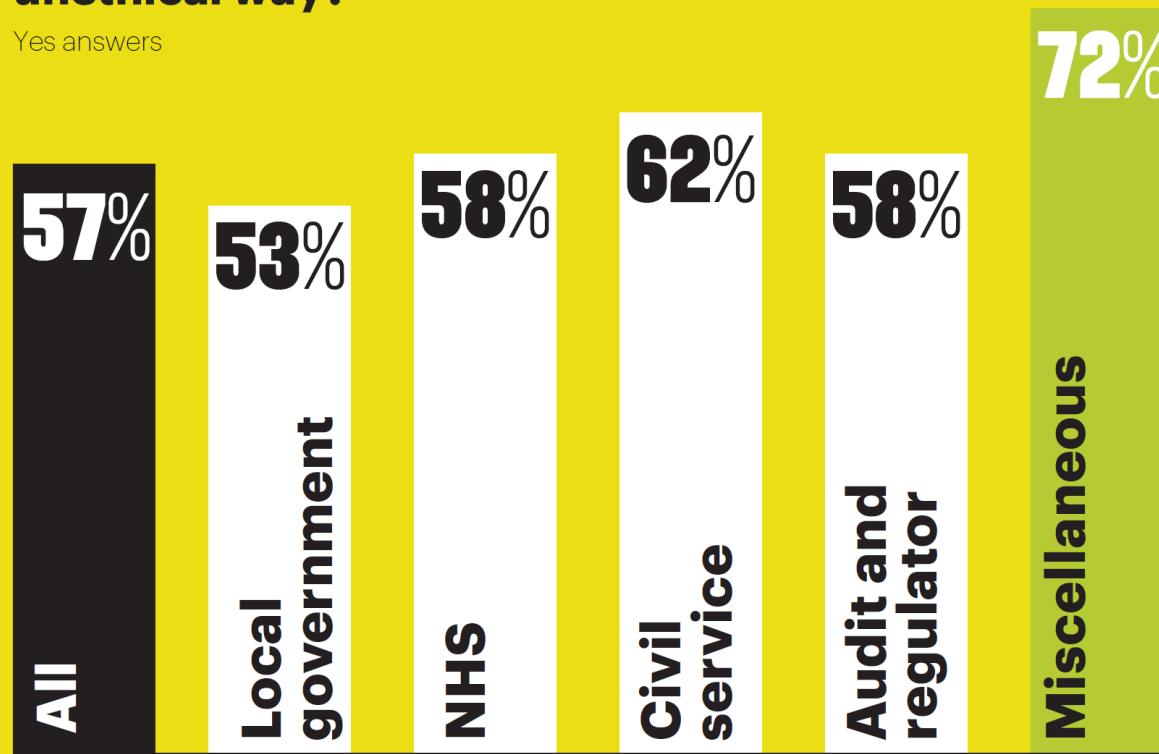
57%

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?

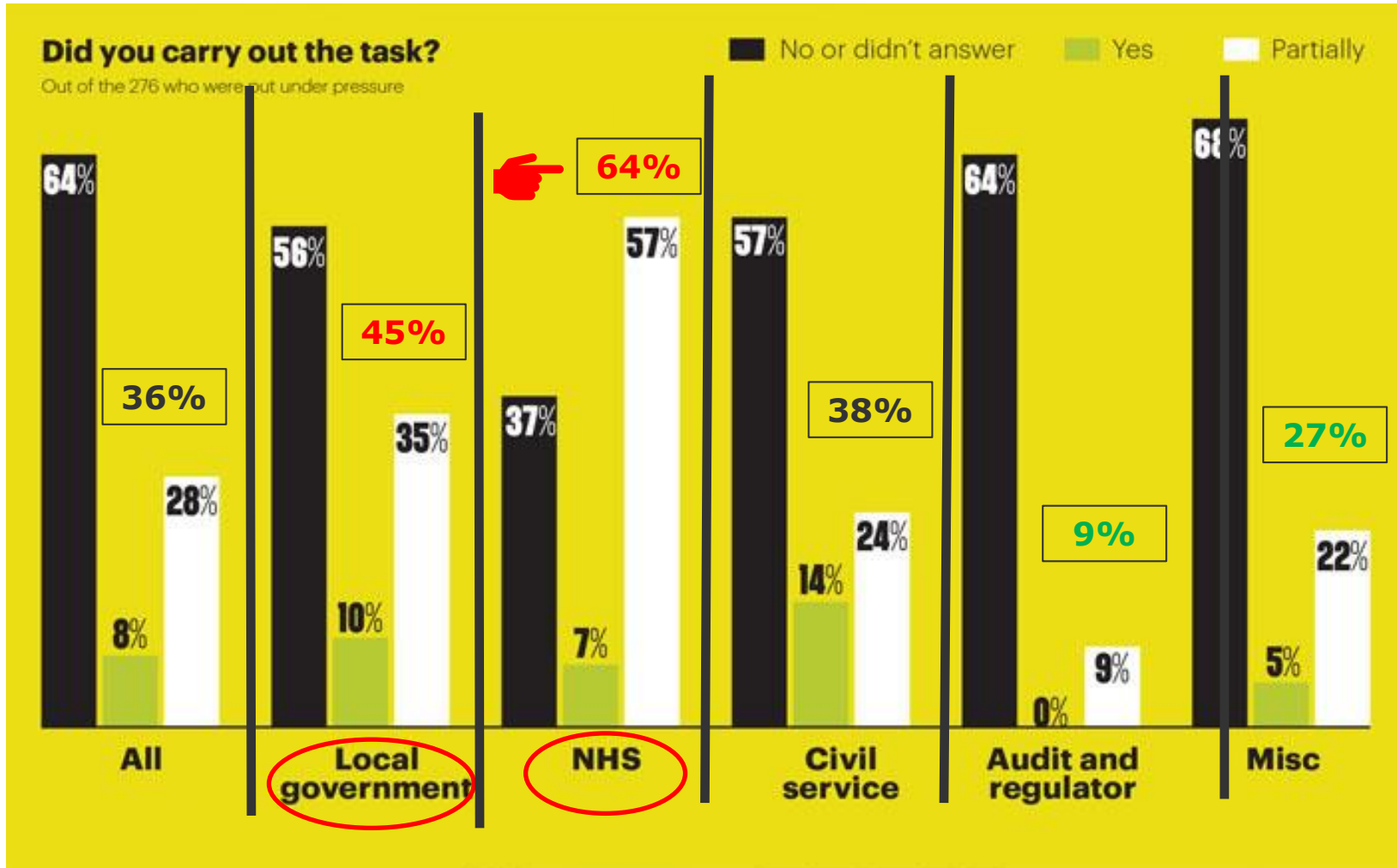
Yes answers



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



179 Excessive optimism in budgets, business cases and plans

164 "Getting around" policies, standing orders, financial instructions and procurement regulations

132 Unreasonably downplaying risks in budgets, business cases etc

91 Submitting savings plans without evidence or risk assessment

88 Not disclosing material facts in reports

79 Accounting for revenue as capital expenditure

73 Postponing recognition of costs, accruals or liabilities

53 Creating excessive provisions in order to release them in future periods

45 Understating or overstating expenses

32 Manipulate the value of assets

28 Altering accounting policies to benefit the bottom line

21 Amortising costs that should be treated as revenue

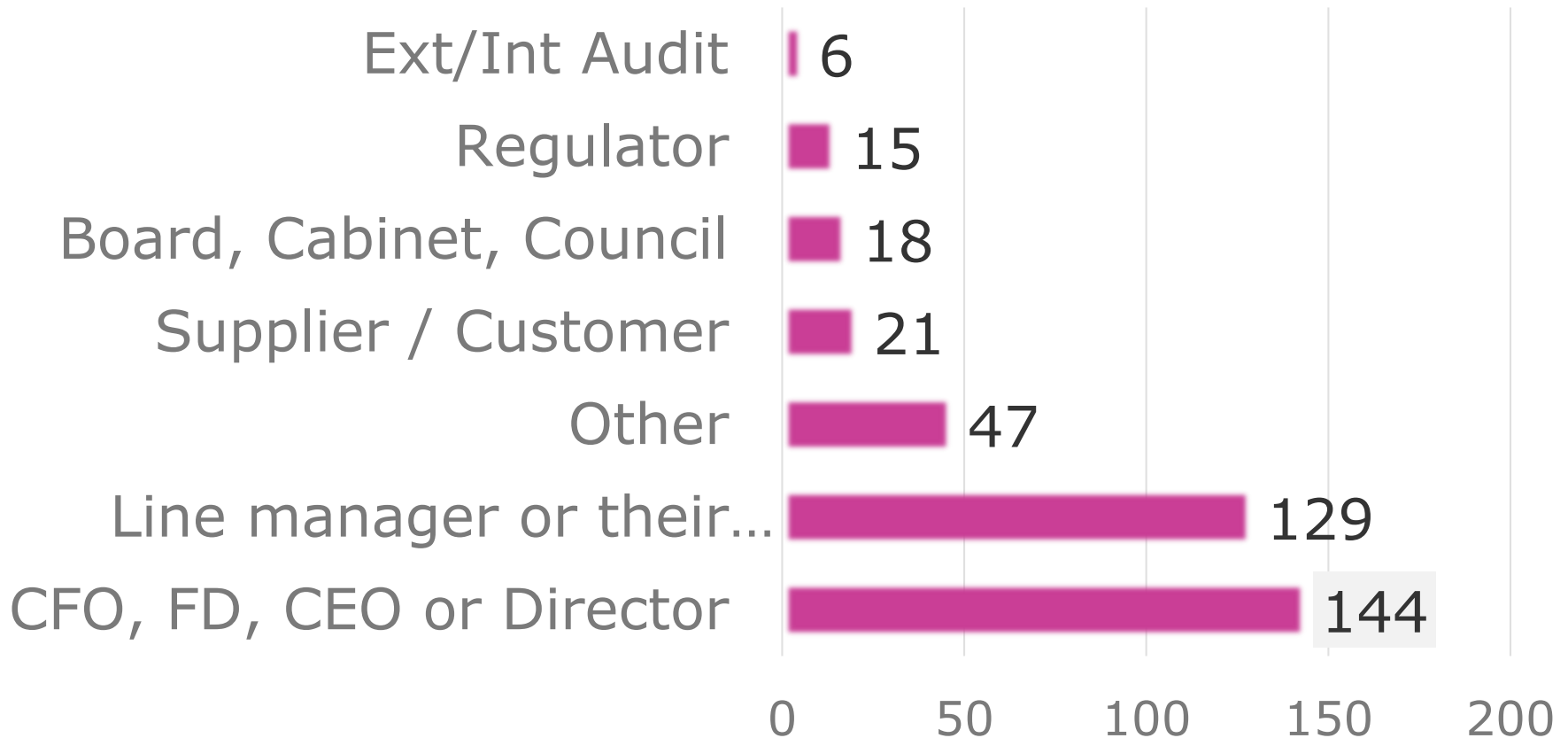
19 Not taking a sufficiently independent view on provisions for bad debts

14 Manipulating the value of long-term contracts

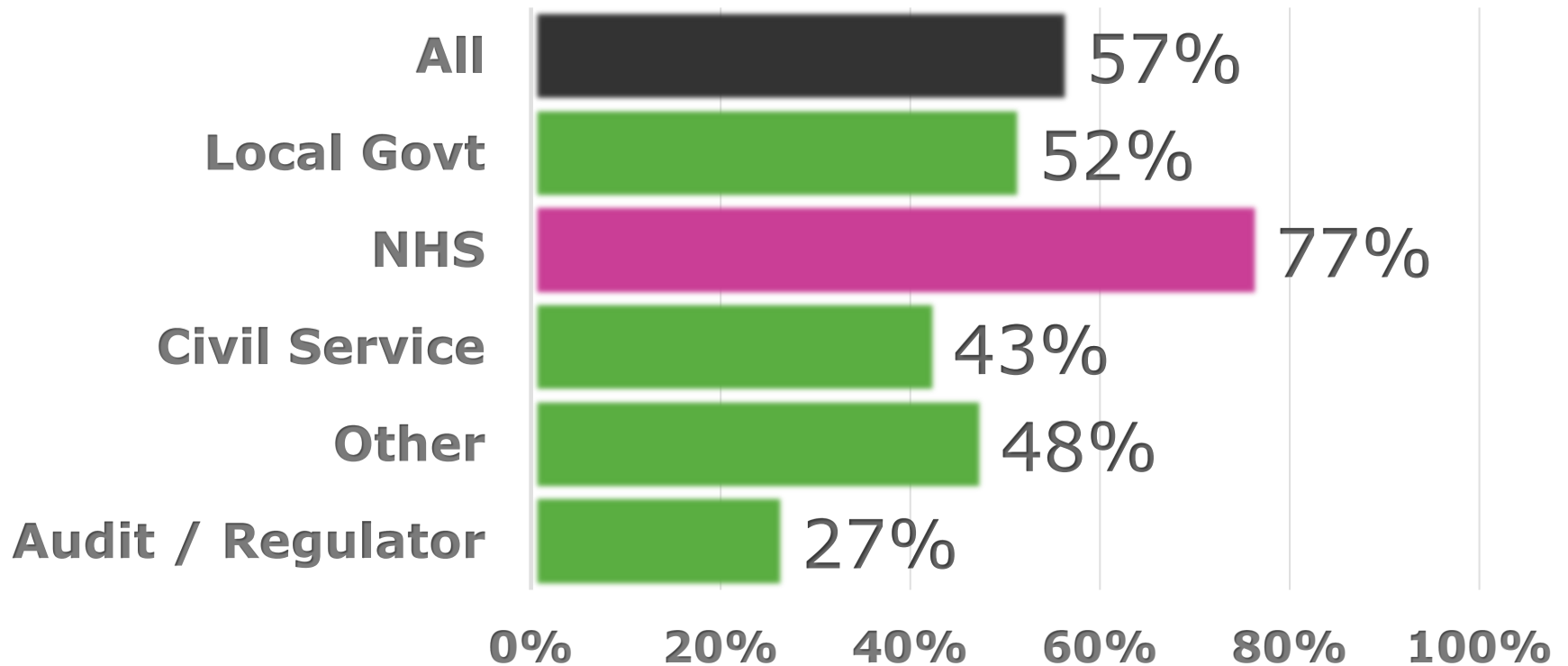
Have you ever felt under pressure to do any of the following?



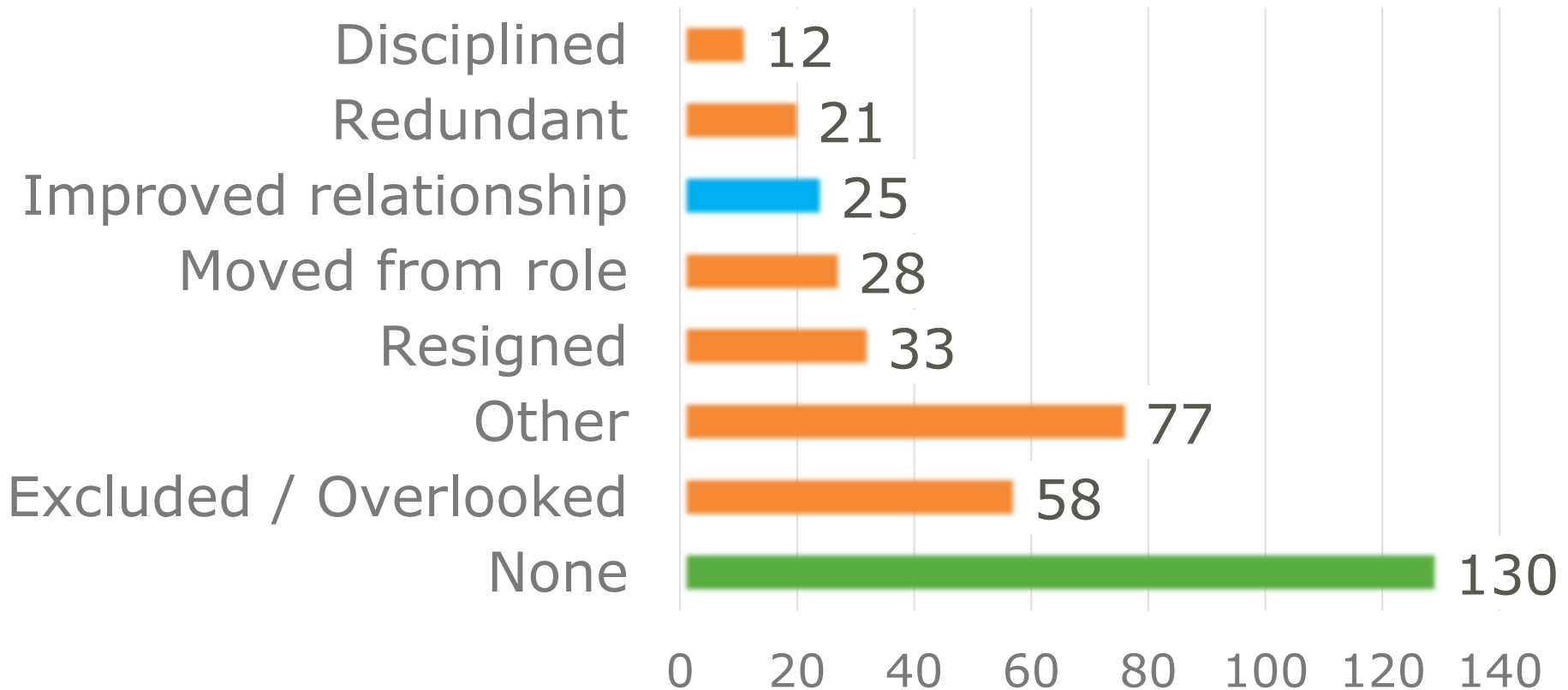
Who put you under pressure?



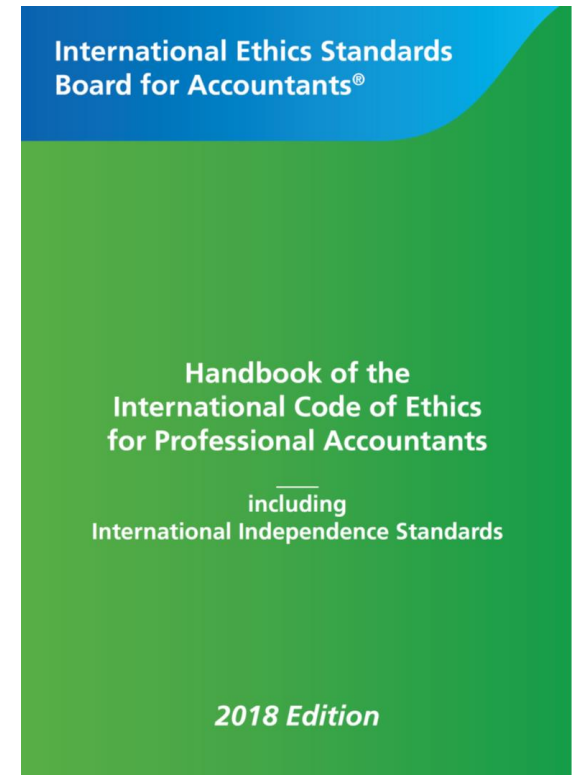
Did you feel under threat?



What consequences did you suffer?



New Code of Ethics for Professional Accountants

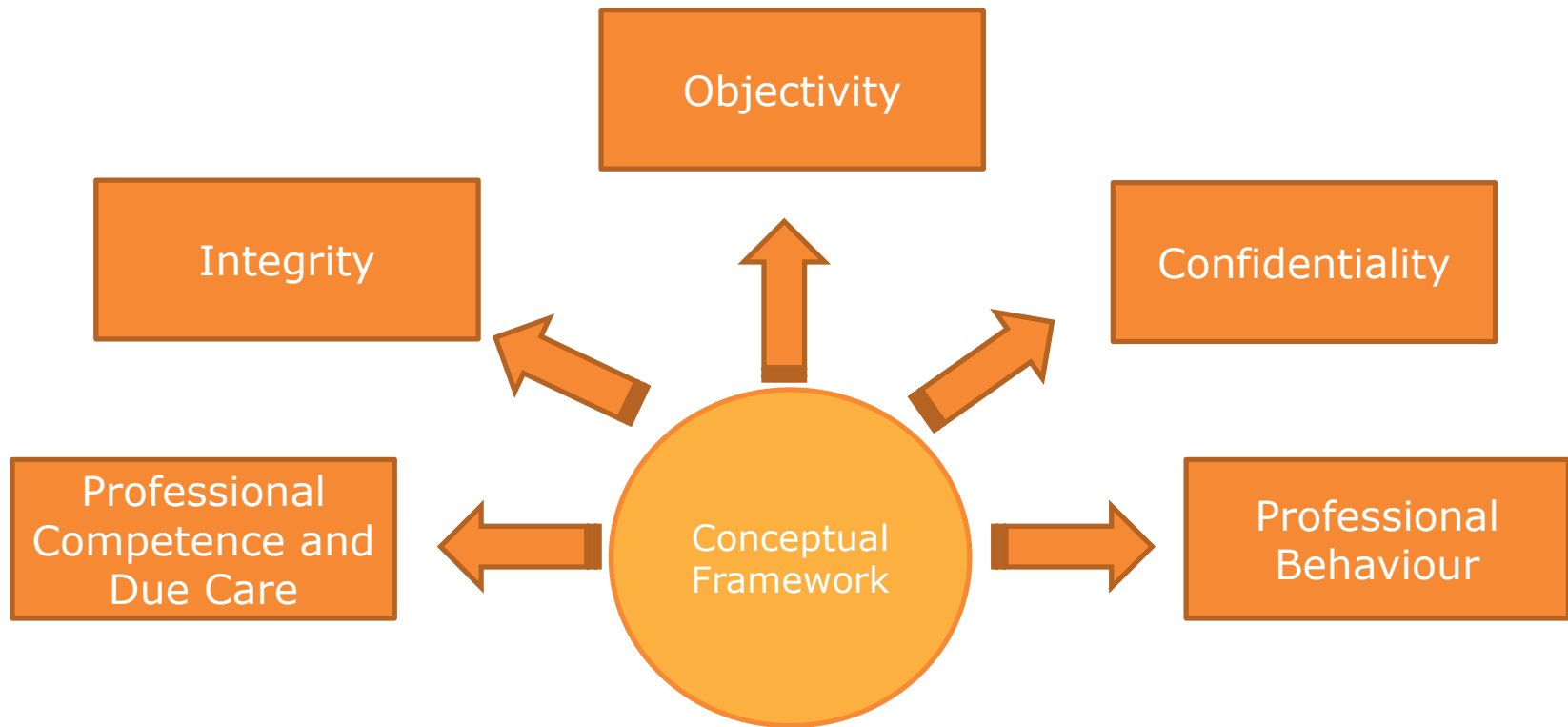


Part 1 Fundamental principles and Conceptual framework



- 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**

Fundamental principles



Conceptual framework



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

Compliance Threats



Self-interest

Self-review

Advocacy

Familiarity

Intimidation

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



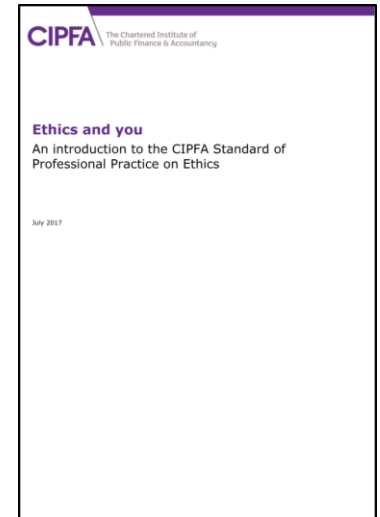
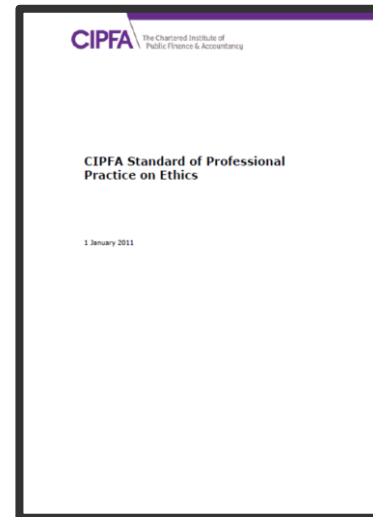
What should you do?



- Read and understand the 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

What is CIPFA Doing?

- CIPFA Council adopted the new 2018 Code (27 Sept)
- Implementation November 2018
- Revised Standard of Professional Practice (SOPP)
- Update “Ethics and You” handbook
- Review Ethics in Prof 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

[Share the animation](#)

