



Federation of European Accountants
Fédération des Experts comptables Européens



Ethics and Independence



Analysis of Responses to FEE Discussion Paper on Integrity in Professional Ethics

A Comment Paper

March 2011

Standing for trust and integrity



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Ethics Working Party



About FEE

FEE (Fédération des Experts-comptables Européens - Federation of European Accountants) represents 45 professional institutes of accountants and auditors from 33 European countries, including all 27 EU Member States.

In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, small and larger firms, business, public sector and education, who all contribute to a more efficient, transparent, and sustainable European economy.



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EXECUTIVE SUMMARY AND GENERAL COMMENTS

Background

In September 2009 FEE issued 'Integrity in Professional Ethics: A Discussion Paper' (the Discussion Paper). FEE considered that accountants may be so concerned with Standards, guidance and reporting deadlines that the fundamental principles which underpin the profession could be lost. The purpose of the Discussion Paper was to highlight these principles, promote debate about the importance of integrity in the accountancy profession and business generally and to engage the public in general and stakeholders in the profession. In particular, the Discussion Paper considered what behaving with integrity in a professional and business context should mean. The Discussion Paper also included a number of practical suggestions as to how integrity is best instilled in professional accountants, whether in practice or in business, and embedded in organisations and suggested measures that professional accountancy bodies might like to consider to reinforce and support integrity.

Purpose of this paper

This paper summarises the responses and notes issues for further consideration. The Discussion Paper was set out in chapters, with a series of questions at the end of each chapter. The summaries in this analysis of responses are therefore also set out question by question within the same chapter structure. There are, where relevant, a few general observations and issues for further consideration, at the end of each chapter.

Although some of the responses were set out as general comments, or included general comments as well as specific responses to each question, FEE has included those comments within the summaries for the issues addressed by the relevant question.

Summary of responses

30 responses were received to the Discussion Paper, from FEE Member Bodies, audit firms, other professional accounting bodies, other professional bodies, regulators and individuals.

Chapters 1 to 2 of the Discussion Paper discussed the meaning of integrity and its interaction with the other fundamental principles¹ on which the International Ethics Board for Accountants (IESBA) Code of Ethics² is based. A number of interesting observations were made about the meaning of integrity and how it is instilled in the respondents' own organisations and these are relevant to the discussions on behavioural characteristics later on. The majority of respondents agreed with FEE's suggestion that there is a case to argue that integrity is the core fundamental principle from which the others derive, but there were other views and observations on the importance of the other fundamental principles and of their interaction with integrity. Similarly, the majority of respondents were of the view that threats to integrity were logically likely to be greater in an economic downturn, but there were other views suggesting that there were also threats, perhaps different in nature, during an economic boom.

¹ The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

² In the FEE Discussion Paper on Integrity in Professional Ethics, reference is made to the IFAC Code of Ethics, which was revised in July 2009 to become the International Ethics Standards Board of Accountants (IESBA) Code of Ethics for Professional Accountants.



Chapters 3 and 4 considered the interaction of personal and professional integrity and whether it would be helpful for the accountancy professional bodies' codes of ethics to include more discussion on integrity. In the case of the former, while it was generally accepted that personal character was relevant to professional integrity, there were differing views about the effect of this on accountancy bodies' disciplinary arrangements.

As regards the inclusion of further discussion in codes of ethics, a small majority favoured this, though it was noted that this work should be co-ordinated and therefore at the international level such as IFAC level. There were, however, some views to the contrary.

Chapters 5 and 6 considered the behavioural characteristics associated with integrity. Those suggested in the Discussion Paper were generally supported, with some useful additions proposed. Similarly, there were proposals relating to organisational integrity in the following chapter, which again were generally supported with additional suggestions made. FEE considers both of these aspects to be relevant in an additional discussion included in codes, training material or other guidance.

The final set of questions was posed in Chapter 7 of the Discussion Paper, which considered the role of the individual accountant in instilling integrity in others. There was general support for the view that the individual accountant has a responsibility, though this will vary according to the circumstances. There were differing views as to where additional useful guidance in this regard could come from.

All of the responses can be found on the FEE website at:

http://www.fee.be/publications/default.asp?library_ref=4&content_ref=1141.

Key Matters for further consideration

Chapter 8 of this paper pulls together the matters for further consideration raised at the end of each of the preceding chapters. The issues noted above that merit further debate and action could be summarised into three areas of interest:

1) Matters of potential interest to professional bodies, regulators and others who monitor ethical behaviour

The variety of views about the interaction of ethical misbehaviour and the economic cycle merit further debate. The discussion on personal behaviour and the effect of this on accountancy bodies' disciplinary arrangements also merits further discussion.

2) Matters of potential interest to those who set ethics standards

The differing views on the relative importance of integrity compared to the other fundamental principles, merits further debate if it is thought this might impact practically on ethical codes. The comments on preferences for guidance rather than definitions are also relevant.

3) Matters of interest to all concerned with advancing ethical behaviour, including individual accountants

A number of interesting suggestions were made about the behavioural characteristics associated with integrity and about the potential usefulness of guidance on organisational integrity and about how accountants can promote integrity. It would be useful to consider how such guidance can be provided.



The Way Forward

We consider that this subject is of sufficient importance that we suggest further actions such as: a round table discussion; academic research; a booklet for educational purposes highlighting the key message of integrity (both personal and corporate); seeking to interest other organisations in the work, like IESBA and national ethics standard setters but also academic researchers and other organisations which are connected to the audit world. FEE would be willing to contribute to this further work.



Comments Received³

FEE Member Bodies

Association of Chartered Certified Accountants (ACCA)
Chartered Institute of Management Accountants (CIMA)
Chartered Institute of Public Finance and Accountancy (CIPFA)
Compagnie Nationale des Commissaires aux Comptes (CNCC)
Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC)
Danish Institute of Auditors (FSR)
Institute of Chartered Accountants in England and Wales (ICAEW)
Latvian Association of Certified Auditors (LZRA)
Spanish Institute of Auditors (ICJCE)
Institute of Certified Public Accountants of Cyprus (ICPAC)
Institute of Certified Public Accountants of Greece (SOEL)
Institute of Certified Public Accountants in Ireland (ICPAI)
Chamber of Hungarian Auditors (MKVK)
Chamber of Financial Auditors of Romania (CAFR)

Audit Firms

Deloitte Europe
Ernst & Young Europe
Grant Thornton International
KPMG Europe
PricewaterhouseCoopers (PwC) Europe

Individuals

Clifford Bygrave – Member ICAEW – Former FEE Ethics Working Party member and former Chairman of Chartered Accountants Joint Ethics Committee
John Hudson – Member ICAEW
David Meggitt – Meggitt Bird, UK
Clifford Moggs – FCMA, CMA, (USA) Retired, UK

Other professional accounting bodies, other professional bodies and regulators

Accounting Professional and Ethical Standard Board (APESB), Australia
Chartered Accountants Regulatory Board (CARB), Ireland
European Group of International Accounting Networks and Associations (EGIAN)
European Actuarial Consultative Group, UK (EACG)
European Confederation of Institutes of Internal Auditors (ECIIA)
International Actuarial Association (IAA)
State Audit Office of the Republic of Latvia (SAORL)

³ The summaries in this paper were prepared by FEE's Ethics Subgroup on Integrity.



CHAPTER 1 - INTRODUCTION

FEE Discussion Paper

This chapter introduced the Discussion Paper in terms of seeking to raise the debate about the importance of integrity in the accountancy profession and business generally, and what that really means. It poses a number of general questions about the meaning of integrity, threats to adherence and how it is ensured.

Question 1: What does integrity mean to you?

Analysis of the responses to question 1

This was an open-ended question; the paper at this point having made no proposals. One of the responses, however, addressed this question by endorsing the themes raised in a subsequent discussion in chapter 4. The responses are also relevant to the behavioural characteristics addressed in chapter 5: in particular paragraph 5.2 of the discussion paper.

20 respondents addressed this question. A number of themes recurred frequently in the responses:

- Honesty;
- Trustworthiness;
- Uprightness, correctness, and/or soundness;
- Straightforwardness;
- Adhering to personal, professional, and/or moral values and professional standards.

Other aspects raised include:

- Competence to make ethical decisions;
- Not acting against honour and probity;
- Respecting laws and make them be respected;
- Courage; standing up for views;
- Admitting mistakes;
- Reliability;
- Transparency;
- Behaving in line with reasonable stakeholder expectations and/or adhering to widely agreed principles;
- Practicing what you preach;
- Truthfulness;
- Consistency;
- Being a good citizen, recognising the public interest, and/or putting one's own interest last;
- Justice.

3 responses specifically referred to competence. However, one regarded maintaining competence as part of behaving with integrity while another stated that it was a distinctly separate professional requirement. One put competence specifically in the context of integrity:

“To act with integrity ... will require ... competence in gathering information and evaluating different possible courses of action.” (ACCA).

This aspect is also discussed under the responses to question 7.

Question 2: Is integrity the core principle in professional behaviour? If yes, why?

Analysis of the responses to question 2

Questions 6 and 7 raise the same question in the context of professional codes of ethics for accountants. Although question 2 was set in a wider context, in practice respondents made the same or similar points. Accordingly the responses to question 2 have been analysed together with those for questions 6 and 7 – see chapter 2 below.

Question 3: What are the threats to ethical behaviour?

Analysis of the responses to question 3

20 respondents addressed the issue in question 3. 7 respondents directly referenced the analysis of threats to ethical behaviour referred to in the IESBA Code: self-interest, self-review, advocacy, familiarity and intimidation. One respondent identified self-interest as perhaps the main threat to integrity while 10 others also referred to this threat. For example:

“Integrity would appear to be most vulnerable to the threat that self-interest will militate against acting openly and fairly.” (KPMG Europe);

“Self interest would seem to be the most evident recent threat to ethical behaviour, with repeated reiteration of `they still don't get it` applied to a number of constituencies.” (EGIAN).

Intimidation was also referred to by 3 respondents as being particularly relevant to maintaining integrity. Indeed one argued that in a broad sense, all threats are a variation on these two:

“In general, threats to ethical behaviour can be divided into two broad categories:

- Self-interest – where the interest of the individual or organization conflicts with the behaviour considered to be most ethical in the circumstances.
- Intimidation – where the individual or organization is subjected to pressure or even threats, for example, in an attempt to change a position on a particular matter.” (E&Y Europe).

12 respondents highlighted other threats (though these could be considered to be variations on those referred to, indeed one respondent stated that any threat to ethical behaviour will fall into one or more of the categories of threat identified in the IESBA Code) or took a wider perspective on the question and discussed the environmental circumstances that make threats more likely.

Specific threats referred to by respondents included:

- Greed (personal and corporate);
- Incompetence or poor judgment;
- Fear;
- Undue influence and/or conflicts;
- Lack of courage;
- Moral flaws.

Environmental circumstances referred to included:

- Unethical behaviour in the surrounding community and/or by business leaders;
- Unrealistic financial expectations;
- Competition;
- Shortage of professional accountants and/or appropriate resources;
- Changes in the economic environment or personal financial hardship;
- Cultural issues leading to different perceptions (organisational and national);
- Lack of ethical education and/or sensitivity;
- Poor regulatory, professional and/or governance supervision.

Question 4: How do these threats change as the economic climate changes?

Analysis of the responses to question 4

19 respondents dealt with this issue, addressing it as an extension of the issue raised by question 3.

16 respondents were of the view that, logically, the threats were likely to be greater in a downturn. For example:

- “During recessionary times, businesses may have to fight for survival and take advantage of opportunities as they arise. In so doing, individuals may be more likely to cut corners, take risks and let standards of integrity slip, especially if their job or livelihood is at stake. This view is supported by our analysis of queries received by the Institute’s ethics helpline. This helpline has experienced a rise in the number of queries relating to Chartered Accountants being pressurised to manage earnings or meet unrealistic targets compared to previous years.” (ICAEW);
- “...in today’s economic downturn, we believe the pervasiveness of these threats will be more prevalent and accepted in the corporate culture of organizations, as distressed companies try to maintain their viability in the current global economy at all costs.” (GTI).

5 respondents suggested that the pressures and /or opportunities in better times meant that unethical behaviour can occur then too. For example:

- "...it is often the case that economic upturn brings about a renewed spate of corporate failures due to demands on working capital. The threats to ethical behaviour may be heightened during this period, as those responsible for presenting the figures are pressurised to show both growth and solvency." (ACCA);
- "During a booming economy there are more opportunities to benefit from unethical behaviour and less stringent emphasis on adhering to ethical standards." (ICPAI).

2 respondents specifically highlighted that timing difference is relevant: part of the effect is that in a downturn, there is an uncovering of unethical behaviour that already existed in better times:

- "...a downturn expose[s] more fraud as the masking effect of economic growth is withdrawn." (MKVK);
- "In a recessionary economy there is more emphasis on reviewing the unethical behaviour that occurred during the booming economy." (ICPAI).

One response perhaps managed to encapsulate all the views:

"We believe threats to ethical behaviour are ever present in our society, always have been and always will be. We believe that in challenging circumstances, whether an economic downturn, a speculative bubble or otherwise, threats may reasonably increase. The threats themselves do not change but the degree of the threat may increase." (Ernst and Young Europe).

Question 5: How is integrity instilled in your audit firm or your organisation? Does it always work? How could it be improved?

Analysis of the responses to question 5

Although this was posed as a completely open-ended question, there were common themes to the 19 responses addressing this area. The key measures addressed frequently were:

- A code of conduct, supported by appropriate guidance, policies and procedures;
- Need for 'tone at the top' leadership commitment and a public statement of values;
- Raising awareness through publicity;
- Training in ethics;
- Assigning responsibility to senior individuals, committees or boards and encouraging feedback;
- An infrastructure allowing consultation, whistle-blowing, complaints and enforcement.

Other points raised include:

- Procedures to identify ethical people in the employment process;
- Risk assessment;



- Awards;
- Considering the public interest;
- Visible evidence through, e.g. screensavers;
- Cross-border consistency.

The overall requirement was summarised by part of one response:

“The tone at the top and the example given by the leadership of the firm are basic elements of this process, but integrity needs to be evident in every decision that the firm makes so that individuals can see the results of the principle in action.” (KPMG Europe).

For further consideration related to Chapter 1

The variety of views about the interaction of ethical misbehaviour and the economic cycle merit further debate as this may usefully inform regulators and others who monitor ethical behaviour.

CHAPTER 2 - BACKGROUND

FEE Discussion Paper

This chapter of the Discussion Paper considers the five fundamental principles of the IESBA Code, including integrity, and the interaction between them. As noted in the Discussion Paper, FEE believes there is a case for advancing the proposition in paragraph 2.4 of the Paper: that 'without integrity, no professional activity can be relied upon'.

Question 6: Do readers agree that integrity is actually the core principle and should be highlighted as such, compared with the other fundamental principles referred to in paragraph 2.3? If not, why not? (Also considering: Question 2. Is integrity the core principle in professional behaviour? If yes, why?)

Analysis of the responses to question 6

As indicated previously, the responses to question 2 are considered with those to questions 6 and 7 as appropriate.

26 respondents addressed the issues raised by questions 2, 6 and 7. 15 of them agreed with the proposition that integrity is the core principle, 4 gave qualified views and 7 disagreed.

Those agreeing with the proposition did so for the same reason FEE proposed in the Discussion Paper. Examples of comments include:

- "Without it [integrity], the other fundamental principles are undermined." (ICAEW);
- "In the absence of integrity the other principles cannot be trusted or accepted." (Deloitte Europe);
- "Any profession needs to respect the public interest and the only manner in which this can be accomplished is with integrity as a fundamental value underlying all professional activity." (IAA);
- "Integrity gathers all the others and represents the starting point in the application of the other four." (CFAR).

Additional points were made that it unites words and actions and is key to public trust:

- "...integrity requires consistency in action and between what has been said and the acts that then follow (even at a later time)" (Clifford Moggs);
- "Integrity is an element fundamental to professional recognition, indicating that from the recognition of integrity, public trust would be derived." (MKVK).

In a wider context, one respondent noted that the answer would depend on what form of integrity was being considered, with a lack of personal integrity heightening the threat to all the other fundamental principles brought about by self-interest.

The point was made, that notwithstanding the importance of integrity, care should be taken not to diminish the apparent importance of the other fundamental principles.

One respondent cautioned that any changes that are made should not result in national differences emerging:

“However we are content that `integrity` seems to be tacitly acknowledged as such, as the first and fundamental principle by its positioning in the Code, but also with there being four other fundamental principles set out... We think such a debate be best conducted in a manner to avoid the risk that standard setters in different jurisdictions seek to vary the Code by introducing different detailed interpretations of the principle.” (EGIAN).

The 4 qualified responses gave a variety of reasons for their stance. 2 thought that integrity could stand together with another principle:

- “It might be said that integrity and professional competence and due care are the two core principles that are required to be observed in order to successfully comply with the other three.” (ACCA);
- “For the French auditing profession there is another principle as important as integrity which is independence.” (CNCC).

The other 2 did not positively discount the proposition but noted in one case that the assertion needed backing:

- “This assertion requires detailed exploration including conducting evidenced based research to support the assertion.” (APESB).

and in the other that it depended on the definition:

- “We agree that the common definition of integrity may include those other, very important principles....However, the limited definition provided on page 3 [that form the IESBA Code of Ethics] does not.” (IAA).

The 7 respondents disagreeing with the proposition did so on the grounds that the 5 fundamental principles were interlinked and could not be ranked. For example:

- “We consider that each fundamental principle has equal weight with each principle interacting with others.” (PwC Europe);
- “All the principles are closely related to each other and cannot be examined separately.” (SAORL).

Question 7: Do the other fundamental principles derive from integrity or are they complementary to it? Please explain your rationale? (Also considering: Question 2. is integrity the core principle in professional behaviour? If yes, why?)

Analysis of the responses to question 7

This question is clearly related to question 6 and the responses by and large followed those to that question. The 15 respondents supporting the proposition that integrity is the core principle generally agreed that the other fundamental principles derived from integrity, while the 7 who were of the view that the principles should be considered together, believed that they were complementary.

A few (mostly those accepting the basic proposition that the other fundamental principles derived from integrity) commented on the need for the other principles to support integrity in professional behaviour. For example:

- “Integrity is supported by a combination of other fundamental principles.” (SOEL);
- “The other fundamental principles exemplify integrity and can be seen as necessary applications of the principle of integrity in professional behaviour.” (Deloitte Europe);
- “Integrity is a cross-quality that can’t be per se self-sufficient as it is a component of other principles.” (CNCC).

3 responses considered that it could be more complicated than the question suggests. One respondent noted that the other fundamental principles are derivative ‘to a large degree’ and complementary and that there could be conflicts between the principles:

“For example a professional conflict arising from serving more than one client with a competing or adverse interest may mean that the duty to act with professional competence to one party may conflict with a duty of confidence to another party. However, the solution to such a conflict cannot result in the principle of integrity being compromised.” (KPMG Europe).

2 responses suggested that the answer depended on which fundamental principle is being compared with integrity. Both identify objectivity as being derived from integrity, as integrity is the driving force for determining whether objectivity is being maintained. Both identify professional competence and due care and professional behaviour as being complementary to integrity, though opinions differed about confidentiality:

- “We believe... integrity to be the benchmark in the decision making process which will require the professional accountant to set a high standard for their actions and decisions in order to avert using confidential information acquired as a result of professional or business relationships for their own self-interest or other financial motives, or for the personal advantage of third parties... The principles of professional competence, due care, and professional behaviour, while predicated on integrity... are driven by core competencies in the profession and specific requirements to adhere to guidelines in professional standards.” (Grant Thornton International);



- “Professional competence and due care ... calls for knowledge and expertise. Furthermore, confidentiality and professional behaviour are independent qualities which would enhance one’s integrity and are also therefore complementary to it.” (ICPAC).

Another respondent added to this, noting that the relationship between integrity and confidentiality was complex and context-driven.

For further consideration related to Chapter 2

All respondents agreed that integrity is important and a key fundamental principle. Most went on to agree that it is the most important fundamental principle with the others generally deriving from it. However there was a substantial minority opinion that some or all of the other fundamental principles rank equally.

From a theoretical perspective this could be debated further but consideration also (perhaps first) needs to be given to whether ranking integrity first would lead to any practical changes in the requirements of professional and other codes of ethics.

CHAPTER 3 – IMPORTANCE OF INTEGRITY

FEE Discussion Paper

This chapter of the Discussion Paper considers the importance of integrity. Its core message is that integrity often refers to a quality of a person's character but is always about 'doing the right thing'. Integrity, therefore, is the cornerstone of professional behaviour. Amongst other things it is essential that the profession, as a whole, retains its reputation for honesty, straightforwardness, fair dealing, and truthfulness: without this, the profession will lose credibility.

Question 8: a) From the perspective of Professional Ethical behaviour, does the quality of the person's character matter if their actions are consistent with expected standards? b) Does this have consequences for the disciplinary process?

Analysis of the responses to question 8 a)

20 respondents answered this question with the majority of respondents (13) believing that the quality of a person's character is ultimately reflected in their behaviour and actions, which should be credible and consistent with expected standards. As is stated:

"The quality of a person's character will ultimately decide the level of integrity that the person will demonstrate." (ICPAI);

"The quality of a person's character is directly related to their ethical behaviour and the consistency of their actions with expected standards." (ICPAC);

"In our opinion professional ethics could not be different than personal ethics. One cannot put on and take off ethical behaviour like clothing to suit the seasons... we either have it (integrity) or we don't. "Someone who lacked integrity in their personal life would not have integrity at all, regardless of how they acted in a professional context. In fact someone who acted one way in one context and completely differently in another would be a classic case of a person who lacked integrity." (MKVK).

And

"The quality of a person's character matters even if their actions are consistent with expected standards because individuals who possess a high moral character... are more inclined to adhere to the spirit of ethical and technical standards and to do so in all situations." (Grant Thornton International).

The concept of the difficulty of teaching and understanding integrity on a global basis was raised as follows:

"Accepted behaviour of a professional accountant may vary in different parts of the world" with the result that "ethical standards will be interpreted differently in different areas but the fundamental principles should remain the same the world over." (ACCA).

There was however some difference of view about the concept of professional as against private behaviour. Whilst many respondents believe that there can be no difference between private and professional behaviour, “someone who lacked integrity in their personal life would not have integrity at all.” (MKVK, as above); other respondents (3) believe that the “quality” of a person’s character does not matter, Ernst & Young Europe believes that “there is a difference between one’s personal and one’s professional or business life” and “if an individual’s actions are consistent with expected and required professional ethical standards, we would argue that the “quality” of the persons character, if it were determinable, does not broadly matter”.

Similarly, KPMG Europe believes that “From a professional perspective what matters is how people behave and whether this is in accordance with the firm’s stated values.”

However, 2 respondents held a counter view in that behaviour in private brings the profession into disrepute in public:

“The code of ethics and working regulations include rules on employee behaviour not only at work but also when not at work/ off duty.” (SAORL);

“The integrity of the profession is at risk if the individual members act unethically – it is the case of the profession potentially being tarred by the brush of one unethical individual.” (APESB).

The question as to whether ethical behaviour is innate or the consequence of upbringing or can be taught/learned in professional training was raised by some respondents.

Analysis of the responses to question 8 b)

This was not fully answered by all respondents but of those who did attempt a response the majority were of the view that the focus of the disciplinary process should be on the professional behavioural aspects. As Deloitte Europe state: “The Disciplinary process is event/fact driven, not character driven” and Grant Thornton International: “character drives behaviour so the disciplinary process should judge the behaviour alone.”

And as ICPAC state: “the disciplinary process should target cases where actions are not consistent with expected standards, without being concerned with the reason behind the default.”

Ernst & Young Europe however believes that: “with respect to disciplinary matters in the practice of the profession, it was strongly believed that the disciplinary process should focus only on the professional’s ethical performance in the performance within his/her practice and the profession.”

But 2 respondents held a counter view; CNCC - “for the French statutory auditor’s profession the scope of the disciplinary action may include private behaviour” - and SAORL as is noted under the analysis to question 8a) above.

Question 9: a) Do readers believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it? b) Does this have consequences for the disciplinary process?

Analysis of the response to question 9 a)

19 respondents answered this question and a clear majority (15) supported the proposition that the perceived integrity of the profession influences the integrity of the group of individuals working in the profession as a whole whilst not necessarily impacting on any individual member. Group integrity is significant. For example:

- “History appears to demonstrate that a perceived lack of integrity within a profession as a whole has a negative impact on the perception of the integrity of the individual members of that profession.” (ACCA);
- “It is certainly true that an individual’s perceived integrity has a marked effect on public perception of the profession as a whole.” (CIPFA);
- “We believe that the perceived integrity of the profession may have an impact of the individuals concerned.” (CNCC).

KPMG Europe mentions the “tone at the top being essential” because “the integrity of the employing organisation impacts the way individuals behave.”

There is a minority view from CIPFA that suggests “that an individual’s perceived integrity has a marked effect on public perception of the profession as a whole, it is difficult to say whether the reverse is true.”

Several respondents suggest that if the profession is in disrepute, or has lost its perceived integrity, as a whole, this may impact, presumably adversely, on the behaviour of the individuals working with the profession. Conversely however one respondent is of the opinion that even if the integrity of the profession should decline, it would not necessarily negatively impact the integrity of the individuals within the profession.

The argument continues that if the integrity of those running or leading the system waivers and lack of integrity is perceived as being tolerated then an overall decline could ensue as those with a weaker moral compass could themselves begin to waver.

It therefore follows as one respondent emphasised that the integrity of the employing organisation impacts the way the individual behaves and therefore having the right tone at the top of the profession or organisation is essential.

One respondent suggests that as the profession is made up of individuals from different backgrounds and countries working in different organisations and industries, creating an ethical profession bring its own difficulties and can only succeed through the professional bodies and regulators and others expecting applying and monitoring high standards. To sum up as Deloitte Europe puts it: “The importance of the direct relationship between the profession and the professionals within it should not be understated. They are dependent on one another to build and maintain trust and reputation.”

Analysis of the responses to question 9 b)

Fewer respondents answered this element of the question; of those that did most believed as one respondent stated “the extent to which organisations promote integrity should be taken into account in the disciplinary process but this will require someone to opine on the collective efforts of one or more organisations at promoting integrity in a profession.” (ICAEW).

Many of these agreed that disciplinary action should be taken whenever expected standards are not met and that the disciplinary process was important in maintaining a high degree of perceived integrity of the profession.

They argued: “If integrity waivers in those running or leading the system and lack of integrity is perceived as being tolerated in others then an overall decline could ensue as those with a weaker moral compass begin to waiver. Therefore we believe that perceived integrity of the profession as a whole could have consequences for the disciplinary process.” (Grant Thornton international);

“Clarity in the definitions of the expected behaviour is critical - whether it be the behaviour of organisations or individuals. Disciplinary processes should be developed based on those expectations.” (Deloitte Europe).

It was also suggested that: “The impact of the disciplinary process may need to be more harsh in individual cases to regain public confidence.” (ECIIA).

Most other respondents however maintain that the disciplinary process should neither be harsher or more lenient as a result of public pressure:

- “History appears to demonstrate that a perceived lack of integrity within a profession as a whole has a negative impact on the perception of the integrity of individual members of that profession. However, we do not believe that it has an impact on the ethical standards of individuals that members of the public are entitled to expect. Regulators have a role to play in making it clear that high ethical standards are expected of the profession, regardless of any high-profile instances of misconduct within it, and disciplinary processes should neither be harsher nor more lenient as a result of public pressure.” (ACCA).
- “A profession or business that is seen to be lacking in integrity would likely have an opposite effect on the individuals within the profession and business. We do not believe that this has any particular consequences for the disciplinary process except that an appropriate and sound disciplinary process is important to maintaining a high degree of perceived integrity of the profession.” (Ernst & Young Europe).

For further consideration related to Chapter 3

It was strongly believed that the disciplinary process should focus only on the professional's ethical behaviour in the performance within his/her practice and the profession. This argument neatly ignores the situation where behaviour in private brings the profession into disrepute in public.



It deserves further consideration whether professional bodies, regulatory and others, expecting, applying and monitoring high standards, should also focus on private behaviour which brings the profession into disrepute. Differences in background and interpretation might make this challenging.

CHAPTER 4 – MEANING OF INTEGRITY

FEE Discussion Paper

This chapter of the Discussion Paper considers the meaning of integrity. Reference was made to dictionary ‘definitions’ of integrity as well as to the principle of integrity in the IESBA Code which is: “The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in professional and business relationships. Integrity also implies fair dealing and truthfulness.”

Additionally, both professional integrity and personal integrity were considered as well as how they are interrelated, with professional integrity being a subset of personal integrity when performing professional and business activities although outrageous personal behaviour might impact professional integrity.

The key difference is that personal integrity covers everything we do while professional behavioural requirements are generally restricted to professional and business activities.

Reference is made to ‘exceptions’ to this, for instance when personal behaviour is so outrageous as to discredit the profession by association, whereby the type of personal behaviour which would be considered to be outrageous varying depending on local culture.

Question 10: a) Would it be helpful for codes of ethics of accountancy bodies to include further discussion on integrity? b) If so, what are the key points that should be included?

Analysis of the responses to question 10 a)

21 respondents answered this question. A small majority (11) of the respondents believed that it would be helpful for codes of ethics to include further discussion on integrity while 10 did not believe it would be helpful.

Of the 11 positive responses, the vast majority (8) believed that such further discussion should be included in the IESBA Code.

In supporting the inclusion of further discussion on integrity in the codes of ethics, the respondents believed that such further discussion should be in the form of *practical guidance* on application and not further rules and requirements. For example:

“There is a greater need for practical guidance for the busy accountant in the workplace.” (CIPFA).

10 respondents, however, did not believe it would be helpful for codes of ethics to include further discussion on integrity: For example:

“We do not believe it would be desirable to extend the fundamental principle of integrity beyond what is already stated within the IESBA Code of Ethics. In particular we would be reluctant to support any amendment to the fundamental principle of integrity which would extend this principle beyond professional integrity to include personal integrity.” (CARB).

Almost half of them were of the view that the discussion on integrity currently in the IESBA Code of Ethics is sufficient and clear.

Most importantly, some respondents were concerned that further discussion might be a proxy for *defining* integrity based on certain features and for seeking compliance with such a definition, an outcome which they strongly oppose. Behaving with integrity is, for the respondents concerned, not about the words used, it is the virtue that the term integrity conveys that is important, which reflects the sentiment articulated in the paragraph 4.4. For example:

“The true test of judging an individual or organisation’s integrity is in the way they behave and not by compliance with a definition.” (PwC Europe).

Additionally, some respondents who did not believe that it would be helpful for codes of ethics to include further discussion on integrity, did however support further *education and training* in relation to integrity, which mirrors the views of the respondents supporting further discussion on integrity in codes of ethics.

In a similar vein, there was common ground between those respondents who supported further discussion in the codes of ethics and those who did not in regard to *disciplinary proceedings and actions* against a professional who fails to respect ethical behaviour and in particular, attempts to define integrity. For example:

“We consider that any attempt to define integrity will result in an objective test that will result in a ‘pass or fail mark’ rather than a judgement formed, based on a number of factors including truthfulness, honesty, and reliability amongst many others.” (PwC Europe).

Analysis of the responses to question 10 b)

As to the content of such further practical guidance, a few respondents were of the view that the behavioural characteristics set out in paragraph 5.2 provided a good start to develop such guidance. Others added behavioural characteristics like trust, morality, perseverance, professional responsibility and reputation, correctness and transparency.

One respondent made specific reference to Shulman’s view for the Carnegie Foundation in its response to this question:

“Shulman identified three fundamental and critical aspects of all professional preparation: thinking like a professional (training the head), performing like a professional (training the hand), and acting with professional integrity (training the heart). Acting with integrity is a focus of one dimension but importantly it is the balance of the three dimensions that Shulman identified as key to the behaviour of a professional under the model he puts forward.” (APESB).

As far as professional responsibility is concerned, a number of respondents noted the profession's responsibility to shareholders, stakeholders and the public in general. This was articulated in the Discussion Paper as 'Taking into consideration the *public interest*.'

Some respondents also highlighted the relevance of *disciplinary proceedings and actions* against a professional who fails to respect ethical behaviour. For example:

"The key point could be: Emphasize the disciplinary actions in cases of unethical behaviour." (SOEL).

A word of caution was added by one respondent in this respect in relation to the linkage between professional and personal behaviour as follows:

"Codes of ethics in themselves do not create a value system to define personal integrity. A personal value system is upheld by an individual and is a choice rather than an obligation." (Grant Thornton International).

Finally, some respondents supporting further practical guidance on integrity did so for *educational and training purposes*. They believe such guidance would be helpful not only for professional accountants and their trainees, but also for students, academics and others, and could usefully be applied to other areas of business.

Question 11: a) Should there be greater clarity of the extent to which personal integrity would affect professional integrity, to enhance harmonisation? b) What sort of personal behaviour should merit professional disciplinary action?

Analysis of the responses to question 11 a)

20 respondents answered this question:

- 9 respondents believed greater clarity would be helpful;
- 8 respondents did not directly answer this question but volunteered some further or more general reflections on this matter;
- 3 did not believe greater clarity would be helpful.

Although there was a fair amount of support for greater clarity to enhance harmonisation of the extent to which personal integrity would affect professional integrity, a considerable number of respondents recognised that providing further clarity would be very challenging, difficult and even impossible:

- "While this is clearly a sensitive area as it touches upon individual privacy, Deloitte nevertheless believes more discussion and clarity around the links between personal integrity and professional integrity would be valuable for the accounting profession as it may give insights into character and is observable and objective." (Deloitte Europe);
- "It would be helpful but this is an emotive and subjective issue and it would be challenging to specify the full extent of behaviour that will bring the profession into disrepute." (ECIIA).

Such further clarification was most commonly referred to as preferred in the form of guidance or as case studies or examples. For example:

“Studies on the integrity principle would be useful, cases noticed in practice should be discussed starting from the individual to the group level.” (CAFR).

The respondents who were less convinced of the need to have greater clarity thought that a reference to the fundamental principles in the IESBA Code would suffice or were against the development of a list of what would be considered unethical personal behaviour. For example:

- “We believe that greater clarity will not be achieved through extensive explanation and examples within professional codes of conduct.” (ACCA);
- “In our opinion, it is impossible to give a list relating to unethical personal behaviour which should merit professional disciplinary action.” (MKVK).

Analysis of the responses to question 11 b)

21 respondents answered this question:

- 6 respondents made detailed suggestions of the type of personal behaviour which would merit professional disciplinary action;
- 4 respondents believed it was difficult to determine the sort of personal behaviour meriting disciplinary action as the norms differs from one jurisdiction, environment or culture to another. Some respondents are of the opinion that this should be determined on a case by case basis by the disciplinary tribunals. Some respondents also believe that it is difficult to make a clear distinction between personal and professional behaviour;
- 5 respondents answered this question by making a number of general observations;
- 4 respondents believed that no distinction should be made between personal and professional integrity. They were of the view that they are interlinked and should be consistent with each other. 2 of the respondents were of the view that personal integrity should be at the forefront and should prevail over professional integrity; this would also be the case in disciplinary matters;
- 2 respondents were of a contrary view and believed that only professional behaviour should and could be subject to disciplinary action whereby personal integrity should be completely outside of any such considerations.

A suggestion for the sort of personal behaviour meriting professional disciplinary action was as follows:

“There are some absolutes of appropriate personal conduct, including complying with the law and it can never be that an individual’s personal behaviour is so outrageous as to bring the profession or the organisation into disrepute.” (KPMG Europe).



Other suggestions are:

- If the accountant has not acted in an honest and straightforward manner;
- If the accountant's attitude either in word or writing is threatening;
- If the accountant's findings or statements are not based on facts, but on assumptions;
- Behaviour violating applicable laws, rules or standards and in particular those that involve abuse of professional trust;
- Crime involving fraud, money laundering, tax evasion, bribery, insider trading or other use of confidential client information for personal gain, embezzlement and forgery;
- Intentional disregard of generally accepted standards of personal behaviour resulting in loss or harm to the public;
- Abuse of a position of influence for personal advantage;
- Basic financial honesty.

For further consideration related to Chapter 4

It should be clarified that further discussion does not mean defining integrity but including further *guidance* on integrity as explained in further detail above.

CHAPTER 5 – BEHAVING WITH INTEGRITY

FEE Discussion Paper

This chapter of the Discussion Paper considered the behavioural characteristics expected to someone behaving with integrity in a professional context as discussed in paragraph 5.2, which are as follows:

- a. Be straightforward, honest, and truthful (including to oneself). This is an important ingredient of being seen to be credible and reliable;
- b. Deal fairly. This means behaving in accordance with the norms expected by the profession, or personal values if higher. It includes treating people on the same basis, without bias;
- c. Comply with the spirit as well as the letter of laws and regulations;
- d. Take into consideration the public interest;
- e. Show consistency;
- f. Be open-minded and open to consider new information and ideas;
- g. Take corrective action.

Question 12: a) Do you agree with the behavioural characteristics discussed in paragraph 5.2? b) If not, please explain what should be changed.

Analysis of the responses to question 12 a)

22 respondents answered this question. The vast majority (21) agreed with the behavioural characteristics set out in the Discussion Paper. For example:

“Yes. This is a comprehensive list. We also agree that professional accountants should not only behave with integrity but be seen to do so, as per 5.3.” (ECIIA).

11 respondents, while agreeing with the general trust of the behavioural characteristics set out in paragraph 5.2 commented on them and/or suggested changes.

Analysis of the responses to question 12 b)

Out of 21 respondents who answered this question, one respondent did not at all support the behavioural characteristics of someone behaving with integrity in a professional context due to the fear that any list would become prescriptive:

“Paragraph 5.2 lists behavioural characteristics expected of someone behaving with integrity, we would not endorse the inclusion of such a list within a Code of Conduct as it is difficult to foresee how any disciplinary committee could measure a breach of these characteristics.” (CARB).

The respondents who agreed with the general thrust of the behavioural characteristics set out in paragraph 5.2 but raised some comments / suggested changes:

4 respondents questioned the meaning of 'public interest' as referred to in behavioural characteristics. They were of the view that further clarification on the meaning of public interest or even a definition of public interest would be helpful. For example:

"It may be helpful to consider further explanation of public interest considerations and the extent to which expectations of the profession and those of regulators may evolve at different speeds. Expectations as to obligations to report fraud for instance are likely to come under consideration shortly by IESBA, and FEE and its Member Bodies could contribute to views of public interest in that context." (EGIAN).

3 respondents commented on the behavioural characteristic relating to being 'open-minded'. It was suggested that this could better be replaced by 'Taking informed decisions'. Similarly, the respondents suggested there was an apparent contradiction between 'consistency' and being 'open-minded' and that being 'open-minded' could be misinterpreted as allowing more flexible behaviour. For example:

"We believe that it should be emphasised that an auditor should be open-minded and open to new ideas, however he should at all times respect and apply the applicable laws and regulations and not accept "creative accounting" or any deviations from laws, regulations and standards." (SOEL).

One respondent commented on the behavioural characteristic, 'comply with the spirit as well as the letter of laws and regulations' and suggested the following:

"Given the risk of conflict of laws and regulations in international situations, FEE may want to consider adding the term "applicable" to this item – "comply with spirit as well as the letter of applicable laws and regulations." (Deloitte Europe).

One respondent commented on the behavioural characteristic, 'show consistency' as follows:

"With respect to item e. – "show consistency", we believe this is an area that needs further clarification, such as consistency in actions, values, and principles." (Grant Thornton International).

One respondent commented on some of the terminology used to describe the behavioural characteristics:

"Whilst the list of characteristics is useful, the terms within it should not be over-engineered. However, the list becomes more open to challenge if subjective terms such as 'fairly' are defined." (ACCA).

One respondent was supportive of behavioural characteristics 'be straightforward, honest and truthful (including to oneself)' and 'deal fairly' but had the following view on the others:

"The other characteristics proposed are in fact notions that have no direct connection with integrity or that are redundant as they are part of integrity. For example honesty leads to c) "complying with the spirit as well as the letter of laws and regulations." (CNCC).

One respondent was of the following view:

“Whilst we agree that the behavioural characteristics, identified at paragraph 5.2, are desirable in a professional context, we wonder how failure to demonstrate any of these, for example ‘consistency’ and ‘being open minded’ should be interpreted; would this mean that the individual was not acting with integrity? We consider that an individual or firm’s integrity reflects a judgment based on a considerable number of varying factors.” (PwC Europe).

It is apparent that a number of respondents have intuitively viewed the behavioural characteristics in paragraph 5.2 as categorised from more essential to less essential. This has as a consequence that the first few appear to be accepted as absolute while the latter ones give rise to more questioning and comments, as demonstrated above.

Some respondents have in their response to Question 12 also suggested further behavioural characteristics that could be expected of someone behaving with integrity in a professional context, other than those set out in paragraph 5.2, which this Paper considers in response to Question 13.

Question 13: a) Are there further behavioural characteristics that should be expected of someone behaving with integrity in a professional context, other than those listed in paragraph 5.2? b) If so, what?

Analysis of the responses to question 13 a)

18 respondents answered this question. 7 respondents were of the view that no further behavioural characteristics should be expected of someone behaving with integrity in a professional context other than those set out in paragraph 5.2. 11 respondents, however, suggested characteristics in addition to those set out in paragraph 5.2. These are detailed below, together with the suggestions made for additional behavioural characteristics in response to Question 12.

Analysis of the responses to question 13 b)

The behavioural characteristics suggested by respondents in addition to those set out in paragraph 5.2 are:

- “Other fundamental characteristics such as confidentiality, respect for others and the needs to maintain competence.” (ACCA);
- “In addition, the Nolan Principles on Public Life..., while these have particularly resonance for a public servant..., have some degree of general relevance:
 - Selflessness;
 - Openness;
 - Accountability;
 - Leadership;
 - ...” (CIPFA);
- “... Impartiality.” (ICPAC);
- “Independent review of current procedures undertaken by a firm in providing services to its clients by someone suitably qualified.” (ICPAI);

- “Willingness to consult/seek expert advice to get to the best answer:
 - Taking informed decisions.” (Deloitte Europe);
 - “Nurture integrity in others;
 - Reject unethical practice;
 - Cultural sensitivity or awareness;
 - Moral resolve to avoid bowing to intimidation or pressure.” (Ernst & Young Europe);
- “Accept personal responsibility;
 - Respectful of views that differ from one’s own”. (Grant Thornton International);
- “... Promoting community interests rather than ‘Taking into consideration the public interest’.” (KPMG Europe);
- “... Willingness to accept disagreement:
 - Truthfulness to oneself.” (Clifford Moggs);
- “Auditors should not manifest any interest, except the fee, in the acceptance and performance of his/her activity.” (CAFR).

One respondent warned of the dangers of a list of behavioural characteristics:

“Any implication that the list of behavioural characteristics is intended to be exhaustive should be avoided”. (ACCA).

For further consideration related to Chapter 5

Some suggestions could be considered as further behavioural characteristics that could be expected of someone behaving with integrity in a professional context in addition to those set out in paragraph 5.2, although an even longer list should not give the impression that it is exhaustive.

CHAPTER 6 – INTEGRITY IN ORGANISATIONS

FEE Discussion Paper

This chapter of the Discussion Paper considers how the culture of an organisation impacts on the way in which individuals within it behave. Therefore, it is important for an organisation to have clear ethical values and a code of conduct can be a helpful tool by which to articulate such values.

This chapter also considers a number of indicators which can be used to assess the integrity of an organisation. Such indicators are:

- Awareness: an organisation that seeks to have integrity will recognise ethical dilemmas;
- Predictability: an organisation with integrity knows how to act when it faces an ethics dilemma, because it has, and applies, clear ethical values in a consistent and credible manner;
- Transparency: being open and honest about its behaviour;
- Long term view: In organisations with integrity short term actions support long term goals. This implies, for example, creating long term relationships with clients, suppliers and other stakeholders;
- People: there is a commitment to support employees to uphold the organisation's ethical values and to deal with any ethical dilemmas they may face.

Question 14: Do readers agree with the indicators discussed in 6.7? Are there others, and if so what?

Analysis of the responses to question 14

18 respondents answered this question. A vast majority (17) concurred with the indicators set out in paragraph 6.7. One respondent did not answer this part of the question.

A significant number of the respondents suggested others indicators which may be useful for the purpose and that slight changes or additional explanations to those set out in paragraph 7.2 could be helpful. Examples of the additional indicators suggested were:

- Corrective actions;
- Reporting of transgressions;
- Demonstrate the organisation's commitment to ethical behaviour;
- Leadership;
- Ethical courage;
- The organisation must be seen to be fair, so that there is respect for its ethical policies and procedures.

The ICAEW in its answer said “Ultimately the actions of individuals reflect on the integrity of the organisation or the profession, and this is what we should be trying to influence. Perhaps enhanced guidance in this area would help.”

Question 15: Do readers agree that organisations should have clear ethical values and that in all but the smallest organisations this will require the organisation to have a code of conduct? If not, please explain your rationale.

Analysis of the responses to question 15

20 respondents answered this question. A vast majority (18) agreed that organisation should have clear ethical values and that all but the smallest should have a code of conduct.

The need for clear ethical values in any organisation is explicitly stated in an overwhelming majority of the responses. For example:

“We do believe that irrespectively of the size of an organization there must be defined ethical values that should be clearly communicated in the organization.” (SOEL).

There were diverse views amongst respondents concerning the need for a code of conduct as a means by which to articulate an organisation’s ethical values. In that sense, ACCA indicates that [development of a Code of Conduct] “puts pressure on the organisation (and its senior personnel) to act fairly and in accordance with the code.”

While most respondents agree that a code of conduct is a suitable way for organisations to articulate their ethical values, some respondents consider that even the smallest organisations should have a code of conduct. A minority of respondents suggest ways other than through a code of conduct by which organisations can articulate their ethical values:

“In very small organisations, it may be inappropriate to circulate written policies and procedures. Nevertheless, all organisations should strive to develop an ethical culture through a consistent approach to resolving ethical issues.” (ACCA).

2 respondents disagreed about the need for a specific code of conduct as a means by which to articulate the organisation’s ethical values. In both cases, the respondents consider that the existence of a general code such as the IESBA Code can cover the needs of any organisation.

Question 16: Who should be responsible for ensuring that ethical behaviour is embedded in organisations?

Analysis of the responses received to question 16

20 respondents answered this question. An overwhelming majority of the respondents consider that the leadership of an organisation is responsible for promoting ethical behaviour and for ensuring that it is embedded in the organisation. For example:

“Management has the opportunity and the resources to effectively promote a culture of ethical behaviour. This can be done through a number of actions but is often most effectively done if management conveys the right “tone at the top” so that messaging on ethics is clear to employees, investors, customers, suppliers and other stakeholders.” (Ernst & Young Europe).



Leadership is defined in different ways and, for most respondents; this concept is equivalent to senior management. However, some of the respondents consider that the Board is also directly responsible for this objective.

While stating that the primary responsibility rests with the leadership some respondents were clear in saying that all members of the organisation should participate and feel responsible for ensuring that ethical behaviour is embedded.

One respondent believes a member of senior management should be nominated to champion ethical behaviour or an ethical conduct committee formed.

For further consideration related to Chapter 6

From the answer to the questions in this chapter it seems clear that the integrity of organisations is a relevant matter and that further analysis and guidance on how to promote and monitor such integrity and determine to which extent it exists in an organisation may be useful.



CHAPTER 7 - ROLE OF INDIVIDUAL ACCOUNTANTS

FEE Discussion Paper

This chapter considers the role that individual accountants, either in practice or in business, play in promoting an ethical behaviour in their organisations.

Question 17: Is it reasonable to expect professional accountants to promote an ethics-based culture in their organisations? If so, should there be greater guidance and what are the key points that it should include?

Analysis of the responses to question 17

20 respondents answered this question. 15 respondents explicitly agreed with the first part of question 17 about the expectation that professional accountants promote an ethics-based culture in their organisation. Only one of the respondents considers that such requirement could not be expected from accountants in business. No reference was made by this respondent to accountants in practice. 4 respondents do not give an explicit answer to this part of the question and do not express any disagreement.

Some respondents in agreement included some nuances which help to understand the scope of this requirement as they see it. For example:

“Accountants should promote an ethics-based culture in their employing organisation, to the extent they are able to, depending on their seniority and roles.” (emphasis added) (ICAEW).

“Of course the professional accountants should promote an ethics based culture in organisation but it should not be set as a top [behavioural characteristic]. As explained earlier ethics and professionalism goes hand in hand and we cannot press on one [behavioural characteristic] property while the other degrades.” (SAORL).

There are divergent views in response to the second part of question 17 which relates to the potential need for additional guidance for promoting and ethic-based culture.

While a clear minority of the respondents consider that no additional guidance is needed most of the respondents are of the view that some guidance would be useful and the respondents allocate the responsibility for developing such guidance to different organisations:

- International bodies like IFAC or FEE;
- Local professional bodies;
- The employing organisations;
- Other bodies dealing with Ethics like the Institute of Business Ethics mentioned by ACCA.

For example:

“In June 2007 the IFAC Professional Accountants in Business Committee released an International Good Practice Guide Defining and Developing an Effective Code of Conduct for Organisations. We believe that this Guide can be used as a starting point for the accounting profession to promote ethics-based culture in the organisation. This is best achieved via promotion of the values contained in the Good Practice Guide along with professional accountants leading by example in the way they provide their professional services to clients, employers and the wider community.” (APESB).

“(ACCA) has created a resource to assist with creating and managing a code of conduct (www.accaglobal.com/members/professional_standards/ethics); “guidance is also freely available from the Institute of Business Ethics.” (ACCA).

Very few respondents suggest areas to be covered by potential guidance material. Those which did suggested:

- Role of leadership in motivating/sustaining an ethical culture;
- Examples of best practices;
- Ethics learning framework and training on how to deal with ethical dilemmas;
- Proper code of conduct and communication channels.

For further consideration related to Chapter 7

In summary, most respondents support the view that individual accountants have a role in promoting ethical behaviour in their organisations and additional guidance in assisting the promotion of ethical behaviour would generally be considered useful.



SUMMARY OF MATTERS FOR FURTHER CONSIDERATION

Chapter 1: Introduction

The variety of views about the interaction of ethical misbehaviour and the economic cycle merit further debate as this may usefully inform regulators and others who monitor ethical behaviour.

Chapter 2: Background

All respondents agreed that integrity is important and a key fundamental principle. Most went on to agree that it is the most important fundamental principle with the others generally deriving from it. However there was a substantial minority opinion that some or all of the other fundamental principles rank equally.

From a theoretical perspective this could be debated further but consideration also (perhaps first) needs to be given to whether ranking integrity first would lead to any practical changes in the requirements of professional and other codes of ethics.

Chapter 3: Importance of integrity

It was strongly believed that the disciplinary process should focus only on the professional's ethical behaviour in the performance within his/her practice and the profession. This argument neatly ignores the situation where behaviour in private brings the profession into disrepute in public.

It deserves further consideration whether professional bodies, regulatory and others, expecting, applying and monitoring high standards, should also focus on private behaviour which brings the profession into disrepute. Differences in background and interpretation might make this challenging.

Chapter 4: Meaning of integrity

It should be clarified that further discussion does not mean defining integrity but including further *guidance* on integrity as explained in further detail above.



Chapter 5: Behaving with integrity

Some suggestions could be considered as further behavioural characteristics that could be expected of someone behaving with integrity in a professional context in addition to the ones discussed in paragraph 5.2, although an even longer list should not give the impression that it is exhaustive.

Chapter 6: Integrity in organisation

From the answer to the questions in this chapter it seems clear that the integrity of organisations is a relevant matter and that further analysis and guidance on how to promote such integrity and determine to which extent it exists in an organisation may be useful.

Chapter 7: Role of individual accountants

In summary, most respondents support the view that individual accountants have a role in promoting ethical behaviour in their organisations and additional guidance in assisting the promotion of ethical behaviour would generally be considered useful.



Avenue d'Auderghem 22-28, B - 1040 Bruxelles
Tel : +32 2 285 40 85 - Fax : +32 2 231 11 12
E-mail : secretariat@fee.be

www.fee.be

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