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To whom it may concern,

The Institute of Certified Public Accountants in Ireland welcomes the opportunity to comment on:

'Response to Integrity in Professional Ethics'

In response to specific questions asked, we would like to make the following comments:

Question 1: What does integrity mean for you?

- (a) Maintaining continuing competence in services provided to clients/employers
- (b) Willingness to express views or admit lack of sufficient competence/errors irrespective of the consequences,
- (c) Awareness of potential conflicts, commercial pressures, and taking steps to prevent their impact on the work to be undertaken including if necessary the refusal to undertake such work.
- (d) Adherence to moral and ethical principles; soundness of moral character; honesty. It involves operating in a straightforward, trustfulness and honest way in professional and business relationships.

Question 2:

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

Integrity is one of the core principles in professional behaviour incorporating as it does accountability, objectivity, social responsibility and confidentiality. Without integrity there can be no trust as there is a lack of honesty.

Question 3: What are the threats to ethical behaviour?

Self-interest, corporate greed, undue influence, sudden changes in the economic environment, absence of good corporate governance, insufficient regulations and lack of regulatory supervision as well as a lack of continuing competence.

Question 4:

How do these threats change as the economic climate changes?

During a booming economy there are more opportunities to benefit from unethical behaviour and less stringent emphasis on adhering to ethical standards. In a recessionary economy there is more emphasis on reviewing the unethical behaviour that occurred during the booming economy and more emphasis on adherence to higher ethical standards. There are also less opportunities to benefit from unethical behaviour.

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

The Institute has its own code of ethics which is based on the IFAC Code of Ethics. Compliance with that code is reviewed as part of the QA reviews.

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?

Yes. Integrity is the core principle from which other behaviours will be derived/promoted. We feel that the other fundamental principles are almost as important and neither is mutually exclusive. For example, one could not be described as having a high level of integrity and not abiding by the principle of confidentiality.

Question 7. Do the other fundamental principles derive from integrity or are they complementary to it? Please explain your rationale?

Our view is that these principles are all equally important.

Question 8. From the perspective of professional ethical behaviour, does the quality of the persons' character matter if their actions are consistent with expected standards? Does this have consequences for the disciplinary process?

Our view is that the quality of a person's character will ultimately decide the level of integrity that the person will demonstrate.

Question 9. Do readers believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it? Again, does this have consequences for the disciplinary process?

Yes, we believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it. In addition, we are of the view that this should have consequences for the disciplinary process within accountancy bodies.

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

We are of the opinion that the Code of Ethics is Prima Facie evidence of integrity.

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

Personal behaviour may be so outrageous as to discredit the profession by association but exactly what type of personal behaviour would be considered to be outrageous will vary depending on local culture. For this reason, it would be extremely difficult to obtain greater clarity of the extent to which personal integrity would affect professional integrity in order to enhance harmonisation.

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

Yes, we agree with the behavioural characteristics discussed in paragraph 5.2.

Question 13. 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? If so, what?

Independent review of current procedures undertaken by a firm in providing services to its clients by someone suitably qualified

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

Regular review and documentation of breaches minor or major of effectiveness of ethical compliance and steps outlined to prevent recurrence or justification for taking no further steps.

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.

Yes but the difficulty will be in distinguishing specific ethical requirements at different levels of appointment within a practice. Can one write a standard code of conduct that is person specific simultaneously for a newly recruited accountant trainee and the managing partner of a practice?

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

The Board in the first instance and a body of individuals who are both independent and not subject to undue influence

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?

No, where the accountant is working in a non accountancy practice i.e. in organization in general. Such an assignment of duty would excuse other key directors/senior managers of identifying ethical issues in relation to their particular activities and the giving the false assumption that ethics is an accounting issue. Using the analogy of budgets the accountant might be responsible for co-ordinating ethical objectives of the different functional managers and pointing out conflicts of objectives.

The Institute of Certified Public Accountants in Ireland hopes that these comments are beneficial to you and we would be happy to discuss any of the above with you.

Yours sincerely,

Declan Nestor
Chairperson, Financial Reporting Sub - Committee