

THE POWER
OF ONE



Personal Responsibility and Ethical Leadership





THE POWER OF ONE

The Power of One calls on all CAs to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations, to help re-establish ethics at the core of business practices and to rebuild public trust in business.

In turn, ICAS is committed to providing new resources and support for members on ethics. Since 2015, ICAS has published a series of publications, guidance and resources as part of the Power of One initiative.

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Summary

- Chartered Accountants (CAs) have an important role to play in promoting ethical behaviour in the business community.
- A Chartered Accountant is more than just a professional qualification; it is a career for life. The personal benefits that such a career brings should not be regarded lightly nor should the responsibility that goes with it.
- Each individual Chartered Accountant has to take personal responsibility for the maintenance of the highest standards of ethical principles throughout their career and must also be cognisant of the fundamental requirement of the accountancy profession to act in the public interest.
- Chartered Accountants need to take the lead in relation to their own actions and challenge others when challenge is necessary. Chartered Accountants need to comply with the Code of Ethics in order to meet the obligations of their profession and are encouraged to take a leadership role in instilling those ethical values in the organisations in which they work.



A Proud History

ICAS began in 1854 with just a group of eight individuals forming the Society of Accountants in Edinburgh. There are now over 22,000 Chartered Accountants in 100 countries worldwide.

To be a Chartered Accountant, or CA, is more than just a professional qualification – it is a ‘career’ for life. The ICAS Code of Ethics states:

Professional accountants have a responsibility to take into consideration the public interest...and to maintain the reputation of the accountancy profession. Personal self-interest must not prevail over those duties.ⁱ

This extract highlights the role of the individual – the ‘personal’ responsibility that every CA must take in order to live by the ethical principles of their professional Institute throughout their career.

The obligation is placed upon each and every CA to take individual responsibility for the maintenance of the highest standards of ethical principles throughout their career – safeguarding not only their own reputation, but also that of their organisation and their profession, to the benefit of the public in general.

A Career for Life

One's career as a CA can be divided into a number of segments, just as life can be broken down into a number of different stages. Key segments are training, post qualification, climbing the career ladder, serving clients or an employer, giving the benefit of accumulated knowledge back to society, and retirement. In all of these stages, which each of us can individually define, learning continues to a greater or lesser extent and all stages will have an impact on the individual CA, and the CA's perception in the wider community.

The mentoring opportunities at ICAS are a case in point.ⁱⁱ Three mentoring options are available to ICAS Members: the Member-initiated Career Mentoring and Business Mentoring schemes, and mentoring for the ICAS Foundation. They have been created to assist CAs in their personal and professional development. Mentoring can give younger Members the chance to connect with those who have already gone through what they are now experiencing. Mentoring for the ICAS Foundation offers undergraduate students at the start of their journey the opportunity to connect with and learn from an inspirational professional. Mentoring also gives experienced Members the opportunity to 'give back' and share their knowledge with those at an earlier stage in their CA journey. The business mentoring scheme enables our experienced Members to help start-up businesses grow and the recipients are not just CAs but entrepreneurs across the general public.

A CA is more than just a qualification, it is a career for life. The personal benefits that such a career brings should not be regarded lightly, nor should the responsibility that goes with being a CA. The 'CA' is not just an individual qualification or badge of honour. The 'CA' is internationally-recognised and respected – it is, in itself, a very precious and valuable brand. The CAs of today, and tomorrow, have a collective responsibility for the preservation and betterment of the CA brand and all it stands for.

Ethical Obligations

ICAS Members have to comply with the five fundamental principles enshrined in its Code of Ethicsⁱⁱⁱ (which is substantively based on the Code of Ethics published by the International Ethics Standards Board for Accountants (IESBA)). These are defined as follows:

- a. **Integrity** - to be straightforward and honest in all professional and business relationships.
- b. **Objectivity** - not to compromise professional or business judgements because of bias, conflict of interest or undue influence of others.
- c. **Professional competence and due care** – to:
 - i. Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - ii. Act diligently and in accordance with applicable technical and professional standards.
- d. **Confidentiality** - to respect the confidentiality of information acquired as a result of professional and business relationships.
- e. **Professional behaviour** - to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.

In order to ensure compliance with the fundamental principles, ICAS also adopted 'moral courage' as an 'enabler' – an underpinning qualitative characteristic required of a professional accountant. Since 1 November 2017, the need for Chartered Accountants to have 'courage to act morally' is highlighted in the ICAS Code of Ethics:

110.2 A0 Moral courage

In order to ensure compliance with the fundamental principles, an underpinning qualitative characteristic required of the professional accountant is the 'courage' to act morally. 'Courage' for the professional accountant is the need to act in accordance with the fundamental principles, especially in situations where there is a risk of suffering adverse personal consequences.

There is a need for the professional accountant to confront ethical dilemmas with courage. When facing an ethical dilemma, the professional accountant needs to have the courage to acknowledge the dilemma, to make a reasoned judgement as to the ethical action required to resolve the dilemma, and then to act accordingly.

With effect from January 2022, following an IESBA project to promote the role and mindset expected of professional accountants, new application material is being added to the 'Integrity' principle within the Code of Ethics which contains the substance of the concept of 'moral courage' emphasising that integrity includes having the strength of character to act appropriately when faced with challenging circumstances. ICAS views this as reinforcing the message of moral courage. ICAS intends to retain moral courage as an enabler and this will work together with the IESBA enhancements to the fundamental principle of integrity.

CAs must also be cognisant of the obligation to act in the public interest. Newly accepted Members commit themselves to doing so by means of an ethical declaration at the ICAS Admissions Ceremony; and all Members are required to make an annual declaration to that effect. This forms our charter with society. (Appendix 1)

Ethics and the profession

The term 'profession' or 'professional' appears in the description of every principle - but what does the term actually mean in terms of the Code of Ethics? Colloquially, CAs working in the 'profession' work in accountancy practices, distinct from those working in the wider business community. But the term 'profession' in terms of the Code of Ethics is much broader – it is at the heart of what being a Chartered Accountant is all about. A literature review written by Ken McPhail for ICAS, **Ethics and the Individual Professional Accountant**,^{iv} concluded that some of the main characteristics of a profession and professional were the following:

- The public interest
- Knowledge base (education and training)
- Independence
- Code of professional ethics

Ethics and the characteristics of a profession, or being a professional, are therefore inextricably linked. In fact, McPhail quotes one writer (Abbott, 1983) as saying: “You can’t be a profession without having professional ethics”.^v Indeed, one could put this quote another way - you can’t be a professional without having professional ethics. Ethics is truly at the core of being a Chartered Accountant.

The Importance of Personal Responsibility

Individuals have personal values, guided by various factors throughout their lifetime; but, corporate entities also purport to have values defining the culture of the organisation. Corporate values often have ethical connotations, but it is the individuals working within those organisations who ultimately determine whether or not the ethical values which the organisation seeks to emulate are actually realised. It is the behaviour of individuals within organisations which is of fundamental importance.

CAs can be found in all walks of life and must take personal responsibility for the important role they have to play in business and society. A CA's personal values and behaviour will be influenced by peers and also by the cultures of the organisations for which they work. But, while colleagues, friends, and employers may come and go, ICAS remains and a CA will always have a personal responsibility to uphold the core ethical principles at the heart of their professional qualification. A CA has a duty to live by the ICAS fundamental ethical values – ethics should be a habit ingrained into their daily lives. CAs must also have the moral courage to exert ethical leadership when changes in an organisation need to happen, or when inappropriate behaviour by others needs to be revealed or stopped. Clearly, the more senior the CA is in an organisation, the easier it will be to influence change, but every CA has their part to play.

In many corporate scandals the wrongdoing has been committed by certain individuals within the organisation, often encouraged by the culture and incentives operating within that organisation. The importance of personal responsibility of the individual cannot therefore be understated, especially where the culture and incentives might encourage an unethical course of action. As an illustration, one of the quotes from the June 2013 report of the UK Parliamentary Commission on Banking Standards into the financial crisis, **Changing Banking for Good**, was:

One of the most dismal features of the banking industry to emerge from our evidence was the striking limitation on the sense of personal responsibility and accountability of the leaders within the industry for the widespread failings and abuses over which they presided.^{vi}

Time and time again, the words 'personal responsibility' and 'individual responsibility' were found in the recommendations. The Senior Managers and Certification Regime (SMCR) subsequently came into force for banks in March 2016, enabling the financial regulators "to fine or sanction senior bankers for misconduct that occurs in their areas of responsibility"^{vii}, and from December 2019^{viii}, the SMCR was extended to cover almost all financial services firms.

In more recent years, the UK has witnessed a series of high-profile corporate collapses. Professional accountants have been under the spotlight, in both industry and practice, and some have been the subject of investigation by the Financial Reporting Council. A distinguished career can easily be shattered by acting inappropriately or by failing to seek to prevent others from acting inappropriately.

The impact on the individual of such a scenario can be catastrophic. The aim therefore has to be to seek to ensure that such a situation never arises. This obviously involves the person themselves ensuring that they behave appropriately at all times, but also that they seek to influence the behaviour of others where possible. ICAS, as the collective body for individual Members, also has a key role in regulating and supporting its Members in meeting these responsibilities.

Leadership and Personal Responsibility

Cowardice asks the question, 'Is it safe?'
Expediency asks the question, 'Is it politic?'
Vanity asks the question, 'Is it popular?'
But Conscience asks the question, 'Is it right?'^{ix}

CAs have a world-recognised qualification that should provide the confidence to guide and influence others in both financial and ethical matters. It should also, most importantly, give them the knowledge, confidence, and courage to challenge where appropriate i.e. is this the 'right' way to be doing business? If we all adopt this approach then there should be associated long-lasting ethical and reputational benefits to an organisation. Whilst there is a need to establish an appropriate 'tone at the top', it is equally important for this tone to be cascaded down through the rest of the organisation and embraced by all those who work in the organisation.

The concept that everyone can 'take a lead' is true in many respects. Leadership in ethical matters does not only relate to those at the top of an organisation. Every CA should see themselves as a leader, regardless of whether they are just starting in their career or have many years of post-qualification experience.

Appropriate challenge can also help organisations innovate more effectively. For example, such an approach has been widely adopted in the airline industry, where it has been recognised that first officers need to be able to challenge the pilot of a flight and the captain needs to be receptive to such challenges being made. After all, it is in no-one's interest on the plane for matters to be ignored which might impact upon the flight's safety.

Robust challenge must be seen as healthy and positive in relation to organisational culture. As discussed in the ICAS research **Speak up? Listen Up? Whistleblow?**^x, whistleblowing / 'speak up' mechanisms within organisations are vitally important – empowering and supporting individuals to have the confidence to promote good behaviour, influence others, and 'speak up' if they encounter ethical issues, without fear of retaliation. Speaking up allows issues to be dealt with at the earliest opportunity before they escalate. People need to take the lead and be able to speak their mind, within reason, for the good of the organisation. 'Challenge' should not be resented.

In the shorter term, such a task may be easier for individuals who are in senior management roles as they are able to exert greater influence on how an organisation is run and how it interacts with the outside world. However, those in all areas within a business have the ability to influence all of those with whom they interrelate.

Individuals, and particularly CAs, should have the confidence to speak up and influence the culture of organisations in which they work, to ensure that the organisation interacts with all of its stakeholder groups in an ethical manner. This is something that is very important, both for the individual and for the organisation concerned. For example, with effect from 1 January 2021, the ICAS Code of Ethics highlights the importance of CAs respecting values of equality, diversity and inclusion. These amendments do not represent a change in the substance of the Code, but do highlight that upholding these values is

in the spirit of what it means to be a Member of ICAS. The adoption, promotion and embedding of a culture of fairness, including respect for values of equality, diversity and inclusion, is an important element of an effective ethical culture within an organisation.

Individuals must take the lead in relation to their own actions and challenge when challenge is necessary. CAs need to be their own leaders in ethical behaviour in order to meet their professional obligations. CAs must lead and champion the ICAS ethical values – the foundations for trust.

Re-emphasise what ‘CA’ stands for

How we as CAs are perceived by our peers and the public at large is defined by what we do, how we do it, and how we treat other people. How we are perceived is very important – it helps define the standing of the CA brand, it helps define the habits and behaviour of those CAs we are involved with, and finally - and most importantly - it should and will have a bearing on the wider business and community we interact with on a daily basis.

Integrity has no need of rules ^{xi}

The law cannot be used as an excuse for behaviour that is best described as questionable, nor can compliance with the written word of ethical standards, as opposed to the spirit of the standards. CAs are often in business roles that require leadership – they need to exercise professional judgement on a daily basis. When ethical matters are involved, judgement should not be clouded by purely short-term commercial considerations or personal gain.

We must re-emphasise our ethics and values, and remember that each individual should seek to set an example that our peers would be proud to be associated with. Individuals are shaped by many influences throughout their careers: their own personal values; their profession; the organisation for which they work and their peers. As each individual CA progresses throughout their career, they can increasingly exert ethical leadership in their particular environments.

CAs have an important role to play in promoting ethical behaviour in the business community. Regardless of whether a CA is newly qualified or has many years of experience, the five fundamental principles in the ICAS Code of Ethics – integrity; objectivity; professional competence and due care; confidentiality and professional behaviour – should direct our individual behaviour and be at the heart of everything we do.

The term Chartered Accountant, or CA, still has the same resonance as was envisioned over 166 years ago. It represents an individual who demonstrates the highest standards of professionalism and ethical principles to the benefit of both business and society as a whole. It is a mark of professional distinction. The obligation is therefore placed by society upon each and every CA to live up to the charter they have been given by society. The obligation is placed upon each and every CA to ‘Make a Difference’.

The power of the individual – ‘The Power of One’ – cannot be underestimated and encapsulated within it is the ability to lead and influence others to do the right thing. May all Members take up this leadership challenge to instil the spirit of our profession across the whole business community.

Appendix 1

New Members – Ethical Declaration

The ICAS ethical declaration was introduced in 2012 for newly qualified Members attending the Annual Admissions Ceremony. The wording was determined by the Ethics Committee and Members of the ICAS executive and staff. 'Courage' was added to the ethical declaration in 2017 on the recommendation of the ICAS Ethics Board.

I declare that I will conduct myself in a manner that maintains and enhances my own professional reputation, that of my fellow Members and ICAS.

As a CA, I commit myself to acting in the public interest and will conduct myself with integrity, objectivity and courage, and in accordance with the high ethical standards of ICAS.

New CA Members attending the Admissions Ceremony are asked to stand and recite this commitment.

All Members – Annual Ethical Declaration – Annual Renewal

Each Member is asked to provide an annual affirmation (see below) as part of their Annual Renewal of high level principles of membership. This mandatory declaration is part of a wider focus on professionalism and the importance of maintaining high ethical standards and technical competency in the public interest. This ethical declaration is similar in nature to the one given by new Members. It again makes reference to 'acting in the public interest'.

Your professional declaration signifies your commitment to upholding your professional reputation to the highest ethical standard and your commitment to maintaining the highest levels of competence as a CA.

Your declaration means that you commit to:

- Acting in the public interest.
- Conducting yourself with integrity, objectivity and high ethical standards, in line with the ICAS Code of Ethics.
- Abiding to rules and regulations.
- Giving due consideration to the ICAS guidance and good practice.
- Undertake continued learning relevant to your professional development and responsibilities.

The importance of your professional declaration cannot be overstated. This commitment and the commitment of your fellow CAs will ensure that ICAS maintains its reputation as the world's leading global professional community.

Endnotes

- i <https://www.icas.com/professional-resources/ethics/icas-code-of-ethics> (accessed 5 October 2020) ICAS Code of Ethics, page 3, paragraph 1.2
- ii <https://www.icas.com/members/mentoring> (accessed 16 October 2020)
- iii <https://www.icas.com/professional-resources/ethics/icas-code-of-ethics> (accessed 5 October 2020) ICAS Code of Ethics, page 17, paragraph 110.1 A1
- iv https://www.icas.com/data/assets/pdf_file/0014/10580/3-Ethics-and-the-Individual-Professional-Accountant-McPhail-ICAS.pdf (accessed 5 October 2020) Ethics and the Individual Professional Accountant: A Literature Review, Ken McPhail, first published by ICAS 2006, Figure 2.1, page 42
- v https://www.icas.com/data/assets/pdf_file/0014/10580/3-Ethics-and-the-Individual-Professional-Accountant-McPhail-ICAS.pdf (accessed 16 October 2020) Ethics and the Individual Professional Accountant: A Literature Review, Ken McPhail, first published by ICAS 2006, page 48, last paragraph
- vi <https://old.parliament.uk/business/committees/committees-a-z/joint-select/professional-standards-in-the-banking-industry/news/changing-banking-for-good-report/> (accessed 5 October 2020) House of Lords and House of Commons, Changing Banking for Good, Report of the Parliamentary Commission on Banking Standards, Volume 1: Summary, and Conclusions and Recommendations, 12 June 2013, page 16, paragraph 14
- vii <https://www.gov.uk/government/news/bankers-in-britain-will-be-held-to-tougher-standards-from-march-2016> (accessed 5 October 2020), 'Bankers in Britain will be held to tougher standards from March 2016', News Article from HM Treasury and The Rt Hon Andrea Leadsom MP, First published 3 March 2015
- viii <https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf> (accessed 1 September 2020), The Senior Managers and Certification Regime: Guide for FCA solo-regulated firms, Updated July 2019, page 54
- ix Martin Luther King, Oxford Dictionary of Quotations, Seventh Edition, page 463, number 13
- x <https://www.icas.com/professional-resources/ethics/Publications-and-guidance/speak-up-listen-up-whistleblow-in-their-own-words-insights-into-the-ethical-dilemmas-of-icas-members>, (accessed 16 October 2020), "Speak up? Listen up? Whistleblow? A survey of ICAS members", Paisey, C, Paisey NJ and Tsalavoutas, I (2019) and "Speak up? Listen up? Whistleblow? In their own words – Insights into the ethical dilemmas of ICAS members", Paisey C (2019)
- xi Albert Camus, French novelist, Oxford Dictionary of Quotations, Seventh Edition, page 196, number 10

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It should be noted that the above individuals were acting in their personal capacity and were not representing the organisation for which they work.

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