



Seek the Truth:

Ethical insights for finance professionals

October 2025

A research report from the Institute of
Chartered Accountants of Scotland

Contents

Executive Summary	3
Introduction	4
Insight one: Your moral compass is something that develops on the job	6
Insight two: Being a professional means operating to a higher standard	10
Insight three: Ethical leadership can often feel uncomfortable – that is not a reason not to act	14
Insight four: How and what you disclose matters	18
Insight five: Own the problem, even if it is not of your making	20
Insight six: Just because it is legal does not make it ethical	24
Insight seven: The need for ethical leadership often comes to the fore in the boardroom	26
Insight eight: Reflections for the next generation of ethical leaders	28
Conclusions	30
Thanks	30



Executive Summary

This report, "Seek the Truth: Ethical Insights for Finance Professionals," presents a series of conversations and survey results that explore the ethical challenges and leadership experiences of high-profile ICAS members. The insights are designed to provide practical guidance for CAs and other finance professionals navigating complex ethical dilemmas.

The key insights provided by the participants are summarised as follows:



Moral compass development

Ethical leadership skills develop on the job. Real-life experiences and mentorship play a crucial role in honing them. The privilege of being a professional is your duty to do the right thing.



Adherence to higher standards

Being a professional means operating to a higher standard. Integrity and consistency in behaviour are fundamental to maintaining one's personal reputation and that of the accountancy profession. Your credibility rests not just on your technical expertise but your probity and resilience. Behaving ethically protects reputation and that reputation is your licence to operate.



Ethical discomfort

Ethical leadership can often feel uncomfortable, but this is not a reason to avoid action. Calling out unethical behaviour, even in challenging situations, is essential. A really important part of being able to take ethical decisions is the psychological safety around you. Knowing that, if you're going to make a tough ethical decision, that you have the support of the firm or your partner or senior manager, whoever you're working with - it really matters.



Transparency and disclosure

How and what you disclose matters. Transparency and openness (subject to any confidentiality restrictions), in sharing key details reflect your integrity and personal brand. There may be situations where you are not allowed to tell people things - because the information may be confidential or market sensitive. In such circumstances the challenge is how to give an honest response when you are constrained in what you can say. Here what matters is that you do not mislead even if you cannot fully disclose.



Ownership of problems

It is your duty to own problems, even if they are not of your making. Taking responsibility and finding resolutions are part of ethical leadership. A willingness to step-up-to-the plate is seen as a kind of professional moral imperative: Being an ethical leader requires that you do not expect others to do things you would not do yourself.



Legal versus ethical

Just because something is legal does not make it ethical. CAs must ensure that ethics are at the forefront of their decisions. There is a tension that exists between a technically or legally accurate course of action and what constitutes the right thing to do. The temptation to hide behind a legal or financial treatment, even when this can produce perverse outcomes, can be strong and should be resisted.



Boardroom leadership

Ethical leadership often comes to the fore in the boardroom. Having the courage to challenge and ask difficult questions is vital. Being prepared to ask the deceptively simple questions that no one else is prepared to ask – even if these can risk making you look stupid is key - you have to have the courage of your convictions as is reflected in "moral courage" which ICAS includes as an enabler in our Code of Ethics.



Future reflections

The next generation of ethical leaders is encouraged to prioritise their values and ethics over their careers, seek advice when needed, and stand by their principles. You need to be able to live with your decisions.

The importance of seeking the truth and acting on it as appropriate is emphasised throughout the report, aligning with the ICAS motto. The insights aim to inspire and guide finance professionals in upholding ethical standards and contributing to the integrity of the accountancy profession.

One of the key themes that emerges from these conversations is the importance of getting the perspective of others. We hope that this series of insights provide perspective, demonstrating hard won lessons that will enable the next generation of finance and business professionals to navigate difficult terrain with confidence and purpose.

Introduction

In this series of conversations about ethical leadership, we speak with high profile ICAS members who have reflected on what it means to do the right, or ethical thing throughout their careers. It is hoped that the conversations provide practical guidance to help anyone in a challenging professional situation where they are required to seek the truth and then act.

As well as interviewing these ICAS members individually, under the Chatham House rule, we also surveyed our members in a quantitative survey during 2024. We received over 700 responses from a survey of 10,000 members and we have taken some of the results and findings and used them in this report to highlight the wider views of members. We believe that this adds rigour and thoroughness to the individual responses showcased in the report.

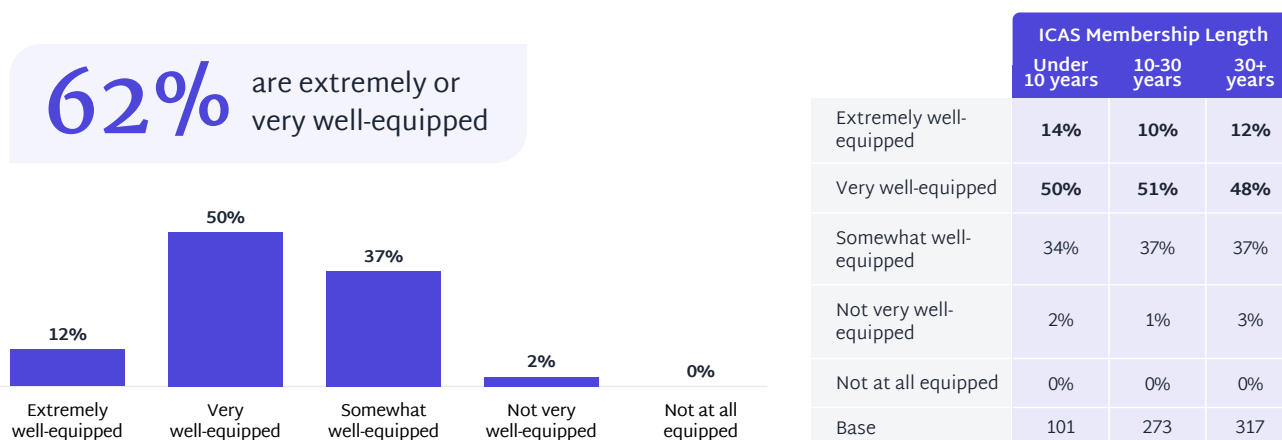
What does it mean to be ethical? There are several demonstrable answers, many of which arise in response to messy, often complex situations where there is a need to behave in a way that is conducive with a set of underlying principles, but that may be counter to the direction of travel.

Our survey revealed that **42% of respondents think there is an increase in ethical issues nowadays** with **39% responding that they are somewhat or not very well equipped to deal with Ethical issues or challenges.**



Preparedness to handle ethical issues

How well-equipped do you feel to be able to deal with Ethical issues or challenges?



As one interviewee put it

“When you are faced with a situation that causes you to step back and reflect. One that is not black and white and easy to judge. That is a much more challenging position to find yourself in – particularly when you only have a short amount of time to make a decision that is important. That is when it gets difficult.”

Another says:

“When we are trying to persuade others to behave ethically, we are likely to look for a whole range of potential arguments – economics, risk management, reputation – these are all fine to deploy. But in the end, being ethical does not depend on them. If the argument is that being ethical will increase your profits, then people are likely to be ethical. The ethical question arises when doing the right thing does not fully align with these arguments.”

The perspectives that follow were captured in a series of interviews conducted under the Chatham House rule. Those who participated were happy to be named but the verbatim quotes that follow are unattributable.



Insight one

Your moral compass is something that develops on the job

What does it mean to be an ethical leader? Where do you start in honing these skills, which often need to be deployed when emotions are running high. Much like riding a bike, once we know the fundamental skills that allow us to balance, most of our learning is done through trial and error. But in this first insight, we look at the core elements that help us to navigate the challenges of ethical leadership, the skills and the foundations which will help us to fast track our learning.

There is a wealth of case studies and books that provide individuals with knowledge about what good ethical leadership in business looks like. But the true value of ethical leadership comes from lived experiences. Nothing else can replicate the emotions felt during those difficult conversations, particularly when the stakes are high. Another word for those lived experiences is wisdom, and there are no shortcuts to build this core foundation of ethical leadership. It's something that must be observed and practised – and those who demonstrate it are often sources of inspiration:

“It was the partners you learnt from. You'd be out on jobs with them. Just watch them. And it just dripped into you. And we apprentices would tell the stories of what we had seen - you know, this partner went in, and he just told this guy ‘You're not doing this or that’ and it was inspiring. There was one partner - he would take us out for a sandwich lunch and just throw questions at us. He made us think. The partners were the ethics. And I was trained brilliantly.”

“There is an intergenerational thing here I think – older professionals who have been around the block should be encouraging the younger generation to be more challenging – to know right from wrong and to stand tall when you see it. We need to encourage this next generation – if they've got serious doubts, voice them.”

This stewardship role is widely acknowledged as being of fundamental importance and something the current generation needs to impart to the next:

“I would say to all newly qualifieds ‘you have just joined a profession that will give you the ability to have an above average income from a very satisfying career. But that profession only exists because it has a reputation which you did not build, but which you are about to benefit from – you now need to earn this reputation. The privilege of being a professional is your duty to do the right thing.’”



There is also a recognition that ethical leaders do not come fully formed and that those in leadership positions have a responsibility to model what good looks like:

“I try very hard to have an open-door policy and be approachable. Every Monday morning I gather my entire team together – not just my direct reports – we squash into the boardroom, and I'll talk about successes as well as the short, medium and long-term horizon, what's important to me and I explain why. People know that if there is an issue or challenge to be solved, we work it out together, constructively, calmly and with good humour.”

Part of this stewardship role is about modelling emotionally intelligent leadership that develops in others the ability to see beyond the numbers:

“I think (navigating tricky ethical conversations) comes down to empathy. I often say to people, if you're going to have a really tough conversation, try and imagine how the person that you're going to have the conversation with is going to feel. Try to put yourself in their shoes. Rather than just jumping in and saying, ‘you've obviously breached the ethics in this situation’ try to understand it from their perspective – I think that is really important.”

Another critically important theme is that learning on the job means being willing to talk to those around you to gain perspective:

“I remember auditing one of the branches of an overseas bank which seemed to be making quite a lot of money with no apparent risk. What was curious to me at the time was that all their trades seemed to be with the same seven or eight counterparties.

“I remember getting into quite a heated discussion with the management of the branch who told me I did not understand their business model. At the time I was a junior manager on the audit, and so I escalated the issue and got 100% support from my partner who said we should raise the matter with their head office, which we did – despite threats from the subsidiary to fire us. And of course, the head office backed our analysis and put a stop to this activity.”

“At the time what I remember was feeling a lot of pressure – the counterparties were all big Institutions who tried to tell us that they had discovered a fantastic trading strategy that we did not understand. In my mind however, if it looked too good to be true, it probably was. My takeaway was the importance of leaning in.”



Counterintuitively however, there are also times when you need to ignore the advice of others and trust your gut:

“I remember at a certain point in my career being challenged to take on more business. I took on something where I sensed I was there to provide cover. Normally in these circumstances I would tell the client you are paying for my honest opinion – if you want cover, I am not that person. However, I had an independent advisory board who encouraged me to take on the work and needless to say it was not a happy experience. Reflecting on what had happened with a colleague he said to me ‘don’t ever compromise’.”

Developing a moral compass is not just about your own integrity, it is a duty you owe to the profession as a whole:

“All new Partners at the firm were told ‘you are committing every opinion you write to the firm and your fellow partners – as they are to you. We will always support you, even if you make a mistake or exercise a poor judgement, provided that when you find yourself in a difficult situation you consult with your fellow partners, who may have seen the same circumstance before’. In other words, don't fly solo. If you're ever faced with an ethical situation, the first rule should be, go and talk to someone about it. Don't face it on your own.”



Insight two

Being a professional means operating to a higher standard

Acting with integrity is fundamental to the accountancy profession. For CAs, it is about doing the right thing, but it is also about reputation. Your professional reputation is your personal brand, it's what you will be remembered for, but your reputation also defines the standing of the CA brand. It can take years to build your reputation as an ethical leader, but in just one moment, one lapse in judgement can shatter it all. In this insight we look at the ethical dilemma where short-term commercial gain can come at the sacrifice of potentially compromising the values of ICAS, the profession and what you believe in. The question is, what do you want to be known for?

A core part of what it means to be a professional is an obligation to operate to a higher standard - that your credibility rests not just on your technical expertise but your probity and resilience.

This is not entirely altruistic – professionals get to charge a premium for their services because they are seen to operate to this higher standard. It was however, seen as a fundamental requirement for those joining (and staying in) the profession:

“Before I trained as an accountant, I had a job on the buses where I quickly came to realise there were three types of people. Those who set out every day to steal as much as they could from the bus company. Those who would not deliberately do so, but if someone dropped change on the floor would view this as money that had fallen into their laps. And those that would not dream of taking anything. My ethics were very clear - all of this belongs to the bus company, and I'm not taking any of it anytime, ever. If you are going to be a Chartered Accountant, then you need to be in this third group.”

“When I was training it was always implicit that there was a high ethical standard. You were trained to be a Chartered Accountant and that was a role that came with trust and respect.”



Another theme of ethical leadership is about consistency of behaviour over time. Most people can point to an instance where they have done the right thing. What really matters is that your behaviour is constant, regardless of circumstance, and that it matures as you mature professionally:

“When I was studying, the ICAS exams tended to be taught by practitioners who would bring their own life examples to bear in the classroom. What this taught me was that ethical leadership is not so much about getting a right and wrong answer every time, but following the right path. This is particularly important in grey areas where there are pluses and minuses to action. It is about constantly questioning, constantly coming back to the values that are instilled in you – making sure your decisions are based on those values.”

“An ethical leader is someone who has a very high level of integrity – something that they will refuse to compromise on. Their behaviour needs to be consistent, and it needs to be something others will want to emulate.”

As you grow as a professional and learn from others, your capacity to exercise professional judgement matures. There is, however, a clear expectation that right from the start of your career you have an obligation to do the right thing:

“My integrity is incredibly important to me, and I get very angry when I hear examples of professionals who are not behaving in this way because it casts a shadow over me – it pulls all of us back.”

“I can remember staff members who were often quite important to a particular practice commercially but who did things that were not aligned (with the values of our profession) and who I had to ask to leave. This is an inconvenient truth because you have to take a short term hit in every sense, but you know long term, to preserve and enhance the reputation of the firm you need to deal with these sorts of things. Asking a young manager to leave because you know they are never going to be up to (providing ethical leadership) - that was much harder than asking a senior partner to resign because they've done something wrong. I had no problem with that at all.”

While there are now multiple layers of regulatory oversight – arguably because the profession has not always behaved with probity – what is also apparent is that self-regulation is still very much alive and well. What drives the profession to demand high standards is a recognition that behaving ethically protects reputation and that reputation is your licence to operate:

“I remember when we changed our auditors, the senior partner came to me and asked, ‘what do you expect of us?’ And I said ‘I expect not to see you in the newspapers with your reputation being challenged because I'm very confident, we are never going to give you a problem. But if you're in the papers helping other clients cross the line, people will think – that's why we chose you – because we also want to get away with it – so the most important thing for me is your reputation’.”

Implicit in this view of the world, is a recognition that there will always be tension between doing the right thing and pursuing what looks commercially attractive:

“Professional services firms are also commercial organisations and there is a need to reconcile short and long-term gain. In the short term, you can do all sorts of things that make you a lot of money but if these damage your culture you will really struggle over time. What I would say to partners when there were difficult ethical choices to be made was better to ditch a client than get involved in something that might be damaging over the longer term.”



“Some years ago, I found myself dealing with a large, listed audit client where we fundamentally felt that the culture and the attitude towards our audit team was inappropriate. It was a very commercial contract for us. But when we reflected on it as a leadership team, we felt quite strongly that we had to take a position. We were quite clear with the client on the behaviours that we expected and when these still did not materialise we resigned as auditors. That was a tough decision from a commercial point of view, but it was the right one.”

Being prepared to operate to a higher standard is not only a requirement where there may be systemic risk – it matters regardless of the materiality of the situation.

“One of the first jobs I ever did – an utterly insignificant subsidiary of a major insurance group - I remember it becoming apparent there had been transactions with directors that required disclosures in the accounts that had not been made. At the time I was as junior as you could get, but I remember taking it to the manager, then the partner and then the partner taking it to the client. I can't even remember how it was resolved. But you know, sometimes, there are issues where it is easier just to move on, but where you have to put your hand up and say, ‘this is not right’.”

“I trained with a small firm working with small clients. One of these was a printing company. I remember writing up the cash book for this client when a man came to the window and said he wanted to pay for programmes that had just been printed. So I said ‘right, I'll just do your receipt’ when the finance director came over and said, ‘you don't need to do a receipt for this – this is a cash sale’. I remember being uncomfortable about this and taking it back to my senior partner in Glasgow who said ‘anything that comes in goes through the books. I will phone the FD and give him a metaphorical spanking’.”

Operating to a higher standard is also what gives the profession its legitimacy:

“I've been a member of ICAS for 44 years. Ethical leadership is something that has been inculcated into our way of thinking. It was almost taken as a given that if you were an accountant, a Scottish Chartered Accountant, there was a degree of integrity expected of you.”

“I am proud of the fact that we are an ethical profession – in many ways that is what gives us our licence to operate.”



Insight three

Ethical leadership can often feel uncomfortable – that is not a reason not to act

Doing the right thing can often feel uncomfortable, but this is not a reason not to act. In this third insight, we explore ethical challenges faced by CAs and the actions they took. One of the defining characteristics of ethical leadership is that you are willing to call out the behaviour of others, even if doing so is likely to give rise to conflict or challenge:

“Working for an audit firm earlier in my career we had a lot of clients in the North Sea which at the time was a bit like the Wild West. Where I was based, there was no professional accountancy body as far as I can remember and some of the people that we dealt with who described themselves as accountants – well I would describe them as free spirits. I was just an apprentice at the time, but I remember people pumping stuff through the books that they should not have been doing. When I challenged this at an audit meeting a huge Norwegian guy threatened to throw me down the stairs.”

“I remember being in a meeting with my CEO where suddenly, out of the blue, there was a very brief discussion with a competitor about what prices were being put in for a tender. The conversation was extremely quick and moved on before I fully registered, but I made a point of meeting with the CEO afterwards and telling him I was extremely uncomfortable about what had been exchanged – which was not just illegal but unethical. And that I did not want to be part of an organisation that behaved in that way.”

The most common ethical issues faced by CAs as highlighted in the 2024 survey are:



Conflicts of interest
45%



Workforce/employee issues
37%



Pressure to provide/accept misleading or false information
36%



What challenges have you experienced?

Which of the following Ethical challenges have you experienced in your career?



Source ICAS Ethical Leadership Survey 2024, undertaken by Dodds & Law Research Associates, base (569)

ICAS Membership Length			
	Under 10 years	10-30 years	30+ years
Have not experienced any ethical challenges	22%	10%	5%
Base	82	222	264

As well as being able to deal with a range of ethical challenges the need for consistency of approach in the face of sectoral differences of expectation is also vital:

“One of the things that struck me when I moved into industry from the profession, which came as a bit of a culture shock, was how people perceived variances. When I was in practice, if we saw a set of projections and a variance to the actual results we would explain that variance. In industry I learned quite early on that people do not want there to be a variance in the first place – good or bad.

"I remember on one occasion, starting a new role and looking at a set of projections prepared by my predecessor. When the actual results came in, there was an enormous discrepancy in one particular line item. Ethically, it was a shock to me that the people I was working with seemed to want to brush this under the carpet, which I did not allow them to do. What I did do was ensure that the variance was explained fully and that new and better methodologies were introduced to improve the rigour of the projections in the future. It's important to ensure that your team and the people that you work with are not afraid to say the right thing or do the right thing."



At the end of the spectrum, ethical leadership can be a brutal experience, but also cathartic:

“I was sitting at a board meeting of a large multi-national as a Non-Executive Director and someone mentioned something about bribery. I queried this only to be told by a majority of the board that this was how business got transacted in this part of the world. I said ‘sorry – this is just not on’.

I and another board member went to the lawyers, raised the matter and appeared in court. I think the company were fined just over £1m at the time. We gave them all the evidence and were actually complimented by the judge for having done what we did.”

There are also situations where doing the right thing can cause drag on the business. But this is not a reason not to act.

“I remember working with a company operating in a number of overseas jurisdictions in difficult parts of the world. There were times when goods would be held up in customs because we would not pay backhanders.

We took the view that it was better in the long run for the business not to do that sort of thing. There were so many occasions where you would be waiting for approvals where time was money and it might have been tempting to say – ‘ok, who do we need to get on side?’.

But you know, it just was not worth it. At the end of the day, doing so puts an unquantifiable amount of risk on the business.”

When you find yourself in ethically challenging circumstances, knowing you have the support of those around you – that you are properly backed – is really important:

“In our firm if an audit partner gets significant push back from a client, they will escalate it, knowing they will be helped by a more senior partner.

Ultimately if we do not like the direction of travel this gives us the ability to go in and say, ‘this is not an individual partner view this is our firm's position, and we have a responsibility to make sure you are doing the right thing’.”

“A really important part of being able to take ethical decisions is the psychological safety around you. Knowing that, if you're going to make a tough ethical decision, that you have the support of the firm or your partner or senior manager, whoever you're working with - it really matters.”



Insight four

How and what you disclose matters

Much like your integrity and personal brand, your transparency and openness reflect in your reputation. Are you honest and fair in sharing key details? How do you respond when you can't disclose sensitive information? The answers to these questions may reveal if you truly represent the CA values.

Organisations are often complex and imperfect and do not easily lend themselves to clear explanations to market – which is why market participants will often look to read between the lines of a set of accounts. In a corporate context - where there may be price sensitivity and nuance as well as pressure to present the numbers in a certain way - what matters is that you can sleep at night:

“When I was the CFO of a listed company one of the tricky challenges was what to present to the City when announcing results. You have an ethical responsibility to give a fair picture, and the accounts provide a true and fair view, but the analysts and journalists are also trying to get a sense from you as to what to make of the numbers.

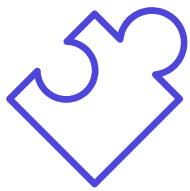
There are of course a whole series of adjectives and adverbs you can use but the philosophy I developed was that people must come away with the right flavour. What that meant was, whether we had had a good or bad trading period, my comments needed to be clear that this had been the experience.”



There are also circumstances where your disclosures may need to depart from the numbers to provide a more comprehensive view of company performance:

“I think ethical questions these days are less around disclosure and more about how we use the right words to describe what is happening. If you look at the numbers themselves the margins might look really good. If, however, this is because you got a one-off rebate from a dispute 10 years ago that reduced costs, you need to be able to explain that the 25% margin is only 23% because we got this rebate. For me ethics is much more around the disclosures of things that aren't necessarily in the accounts but affect people's view of the business.”

“A lot of it is about expectation management. I like to talk about ‘Bookends’. One Bookend could be high as this – the other end could be as low as that. If you can explain to people the dynamics which are likely to move the results in either direction I think that is half the battle. Regardless of the final outcome you and your team are held with trust and respect because you've taken the time, in advance, to educate and explain, and people understand.”



Insight five

Own the problem, even if it is not of your making

It's your duty to own any problem, even when it's not of your own making. The onus to remain ethical doesn't fade when it's someone else's issue. So how do you take ownership? How do you navigate the challenges set forth by others? We look at real-life circumstances where these questions had to be answered, and resolutions needed to be found.

There may be times when you find yourself in situations where you may have to own a set of circumstances not of your own making, but where your stewardship is required to bring about resolution. A willingness to step-up-to-the plate is seen as a kind of professional moral imperative:

"I remember buying a company where it became clear to me they had manipulated the numbers. The profits were overstated by about £35m which meant about a 25% drop in the book value. So, we called the auditors in and asked them to go through the numbers. Once it became clear there was a problem, I said we need to declare this – we need to come out and make a statement and introduce forensic accountants into the situation."

"We also took legal advice at the time and the advice was that if we declared what had happened there was a high probability that the firm that had done the previous audit would not be liable and this would come back to bite the directors. I was not prepared to accept this – we had paid them to audit the business, there was a contractual relationship in place, and we had an expectation that the numbers would be of a certain standard. At around this time the CEO resigned, and I stepped in on an interim basis."

"I remember telling the board that I wanted to prod in a few places to see what I could find – and what I found was that certain entries in certain places had been used to falsify the numbers. I caught people doing this stuff! But I also found good people who had been asked to do it and had refused. So, there were people with integrity in the company and there were others that were just scared and did what they were told."



“At the time I was under some pressure to declare everything was ok, which it clearly was not, and I said ‘I am not prepared to lie for the company. I’m not prepared to sit in a room and listen to the chairman lying about it. So, whatever your PR strategy, you need to revisit it because I’m not going to do a press conference to defend the indefensible’. What I did insist was that we needed to tell our investors that there was a problem and that we have a strategy for dealing with it, which I went on to do and we eventually recovered the situation. But the fall out was significant. And in the end the auditors were sued, and it was right that they were sued, and the firm eventually went bust.”

As in the example above, where a situation is not just unethical but fraudulent, the circumstances can present challenges:

“I remember being involved in an audit at the beginning of my career where I asked for an explanation about a particular loan from the business that was effectively a bad debt. I asked to see the directors’ minutes before I would put my initials on that component of the audit schedule and was told the issue had been dealt with. The minutes were not forthcoming, so I did not initial the file.”

“A couple of years later the organisation went to the wall and I remember being asked by one of the partners winding up the firm why I had initialled this particular schedule? I told her I had not done it because I had not been shown the documents I had requested. That someone would have been willing to forge my signature - this experience stayed with me for a long-time.”

Conversely, not owning a problem is often a strong indication of amoral behaviour.

“Early on in my career I remember speaking to the CEO of a business who had a loan from the special lendings team of a bank. I remember asking him if he was concerned that a fairly modest £250k was now creeping up towards £1m? And he said, ‘of course not – because it is now at a stage where the bank needs to worry’.”

When owning a situation that may well be messy and complex it is also important to be as dispassionate as possible and not let matters extraneous to the circumstances cloud your judgement:

“A few years ago, I was invited to join the board of a housing association. The Chair of the Board was someone I had met at a networking event and someone who I had previously invited onto a board I was chairing. The strategy of the association was all about getting large scale voluntary transfers from local authority housing stock, which struck me as odd because these transfers had largely happened under a previous Government. It quickly became apparent that things were off track. The organisation had committed to delivering 500 properties that year but only 50 units had materialised. The consultant they had employed to write the corporate strategy had a major conflict of interest and the Association had also loaned him £70,000.

“After a protracted and difficult period of dialogue with the board where I tried my best to remedy things, I eventually had to whistle blow what was happening. A key take away for me was that there was something rotten at the core of the business but because the Chair was also an acquaintance, I didn't quite want to believe that things were as bad as they were.”



Finally, it is worth noting that ownership of a problem is not to be confused with delegation:

“Being an ethical leader requires that you do not expect others to do things you would not do yourself. That is actually quite important, because sometimes you get someone who is an Angel Gabriel, but they're quite happy to have Rottweilers doing their job for them. We should never ask anyone to do anything that we would not be willing to do ourselves, whatever the situation.”



Insight six

Just because it is legal does not make it ethical

As a Chartered Accountant, it's your responsibility to maintain ethical standards and report any behaviour that doesn't meet these. As with all ethical dilemmas, the simple question "what's the right thing to do?" and how you respond to that is often the best place to start. Do you use legality as a way to avoid your ethical duties? Or do you ensure that ethics are at the forefront of everything you do?

There is a tension that exists between a technically or legally accurate course of action and what constitutes the right thing to do. The temptation to hide behind a legal or financial treatment, even when this can produce perverse outcomes, can be strong and should be resisted.

"I remember a period when there were so many (tax avoidance) schemes that were being marketed as legal, and we were under pressure to advise on them as our competitors were doing. I also remember some difficult conversations with partners where we had to say we don't want to get involved in those sorts of arrangements. In the end we changed all our engagement letters for tax clients to say that we were not obligated to bring them every possible idea that might work in the marketplace. I think the words we used were that we were not obliged to bring clients' ideas which could bring either of us into disrepute."

"I've got a huge respect for lawyers. They are experts in what is legal and what is not. But to put it bluntly, I feel I am more qualified on ethics. And so, I say to lawyers 'thank you for your legal advice."

I appreciate that. And clearly the company wants to operate legally, but I am more interested in what you think the ethical dimensions may be here? If you don't feel able to opine on the ethics, that's fine. But then we need to be clear that you have only advised us on the legal aspects of the question which may not be the same as what is the right course of action."

One of the challenges that was described here was the conflict that arises when you pit a rules-based system against a principles-based one:

"We published a book on the old Accounting Standards Board - its first ten years - underneath it all were these standards which, because they were short and principles based, would probably deal with 80% of the ethical and technical challenges we faced."

The Americans took a different approach - they would say 'here is an issue - let's fix it'. I used to call this 'search engine accounting' (which even they would despair of on occasion). I remember being in New York - this US lawyer got up and held out a piece of paper and said 'this is a facsimile of the first constitution of the United States. On this single page is the Government's relationship to its Citizens, its States and to overseas countries'. And then he pointed to a pile of books roughly half his height and said - 'here are the US Financial Accounting Standards Board rules on financial instruments - which do you think I'd rather defend?'



However, it was also recognised that even under a principles-based system there are occasions where you need an ethical override.

“A company where I was working announced a rights issue. Between announcing the issue and its completion, the share price rose. At the time the accounting standard said that effectively we were now issuing undervalued shares because we had agreed to sell them at a price where these had then risen, and we needed to book a loss equivalent to that number and take an equivalent credit to our reserves. So, you're going to create a £2 billion loss and a £2 billion credit to reserves for transacting with your own shareholders. We went back to first principles here (by invoking the true and fair override) and took the view that the rights issue raised a certain amount for the company – what happened to the share price thereafter was irrelevant – we recorded the issue price of the share and therefore the funds received by the company. This was about professional judgement.”

There is also concern that the sheer complexity of financial regulation has now got to a point where markets are crying out for simpler explanations of the underlying performance of a business:

“I think that company accounts are almost indecipherable these days for anyone but technical experts. I can hardly think of a single company that doesn't produce alternative measures to IFRS numbers. The profession needs to think very carefully about this. If people are constantly producing alternative measures because legitimately and ethically, they believe that the IFRS number is technically correct, but doesn't give the underlying picture of the business, that means there is something wrong with the way we do accounting these days.”

In all of this however, it is also recognised that the application of accounting standards could still be a good proxy for how ethical the entity is.

“Good companies agonise over accounting standards and try and apply them, as correctly as they can. Bad companies either do not read them properly or do so only to see how they can be manipulated. You can't blame the accounting standards for the fact that people don't follow them. People will always do bad things.”



Insight seven

The need for ethical leadership often comes to the fore in the boardroom

In this insight, we highlight the need for ethical leadership in the boardroom, to have the courage of your convictions, to challenge, and to ask the questions that no one else is prepared to ask to ensure you fully understand the issue.

Boards can often present a particular type of ethical challenge as well as a space in which resolution can be achieved provided you have the courage and tenacity to ask the right questions and know when to push back:

“One of the great things about our profession is you get into the boardrooms of the biggest companies in the country and see them in action.

I remember taking a young apprentice to a meeting when I was technical partner at one of the larger accountancy firms.

It was one of our major clients and we'd had a terrible audit, absolutely awful. There had been a number of heated debates around what the company could declare as profit that year, which eventually got within an acceptable envelope.”

“Anyway, we went into the meeting and the Chairman asked me where I felt the company's accounting policies stood between highly acceptable and totally unacceptable to which I responded, ‘just about acceptable’.

I was asked to explain my reasoning and we were then asked to leave. Before the door was shut behind us the shouting began and a senior non-exec said to the CEO either the CFO gets fired or we go, and if we go, you'll have to go, and so the CFO was fired. The next year's audit was a lot easier.”

Complacency in a boardroom may not be the same thing as duplicity, but it can be equally damaging and needs to be challenged:

“I've always liked to be the one in the corner who asks, ‘what is this?’ So often around a board table there is splendid alignment – someone will say ‘right, we are all agreed’ and then the conversation will go onto what is happening at the weekend.

Sometimes you just need someone around the table who is going to be a pain in the neck - who is going to constantly challenge things on the basis that ‘I didn't actually understand that, can you just run it past me again’ even if others around the table quietly despair.”



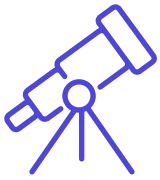
Being prepared to ask the deceptively simple questions that no one else is prepared to ask – even if these can risk making you look stupid is key:

“I remember being appointed to Chair the board of a large museum where I was told they had just bought a Benin Bronze. I asked whether this was the name of the sculptor only to be told by a learned Board member that it was in fact a Kingdom, now a province in Nigeria.

However, in fact the majority of the board members who had welcomed the purchase confessed that they were also unaware that Benin was a Kingdom. My point is that I don’t mind looking daft at times if that enables me to ask the kinds of questions that will get clarity around an issue.”

Finally, as one NED put it, have the courage of your convictions:

“When giving challenge it is important to be strong, be yourself. I mean, how would you feel if someone was fiddling you? This might be someone else’s business, but you would not want your pocket pinched – so you have a responsibility to say, ‘I don't actually understand that number’.”



Insight eight

Reflections for the next generation of ethical leaders

For our final ethical insight, we asked the participants who contributed to give one message they would want to convey to those coming into the profession in 2025. This is what they said:

“Who you are and what you stand for – your values and your ethics – are more important than your career.”

“Just do the right thing. And if you feel pressurised, talk to somebody. You need to be able to live with your decisions.”

“Keep investing in your technical skills but also keep investing in your networks.

It is these networks that are helpful when you need advice about a difficult situation.”

“Stand tall if you believe in something. Stand by your principles. Be honest.”

“Consult furiously because 99 times out of 100 it will always get you through the problem.”

“You will only ever thrive in a culture that chimes with your own values. So, to the extent that you've learned these values from your training, don't accept anything less in any company for whom you work.”



“The motto of the Scottish Institute is seek the truth. And that's what you're there for – people are not interested in you shading it. It's your job to do it. And no matter what's thrown at you, you've got to do what you think is right and be able to live with yourself afterwards.”

“Being ethical is about bravely seeking the truth and then acting on it.”

“One of the very first lectures I attended as part of my training to become a Chartered Accountant was from a professor of risk who taught us that we were the Institute of Chartered Accountants of Scotland... and that meant adhering to their motto – seek the truth.”

“When I was President of ICAS we used to have a graduation ceremony for those that had passed their exams, and I changed it because it is not like being at University. When you get your degree, you go off and do something different. You remain a Chartered Accountant. And so now we call it an admission ceremony and we make newly qualifieds stand up and take an oath – which basically states I will preserve the ethics of my profession and do everything I can to uphold the public interest.”

“Do the right thing because it's the right thing to do. And know yourself and know where your red lines are.”

Conclusions

This report provides valuable insights into the ethical challenges and leadership experiences of high-profile ICAS members. The conclusions drawn from the report emphasise the importance of ethical leadership and the development of a strong moral compass in the accountancy profession.

The key takeaways are as follows:

- Ethical leadership is developed over time.
- High standards of professionalism should always be maintained.
- You have to be comfortable dealing with uncomfortable issues.
- Transparency and disclosure (subject to confidentiality restrictions) reflect your integrity and personal brand.
- Ethical leaders take ownership of all problems, not just their own.
- Just because something is legal does not make it ethical.
- Asking the challenging and difficult questions is vital.
- Ethical leaders prioritise their values and ethics over their careers.

The Institute of Chartered Accountants of Scotland would like to thank the following members for participating in this research report:

Alison Cornwell	David Nussbaum	Marta Phillips OBE
Sir Brian Souter	Sir David Tweedie	Mary Campbell OBE
Catherine Burnet	Sir Douglas Flint	Lord Smith of Kelvin
David Cruickshank	Jann Brown	

Published October 2025

ICAS © 2025

ISBN: 978-1-909883-86-4

EAN: 9781909883864

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