

# The Right, the Good and the Virtuous

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## **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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# Foreword

The ICAS Code of Ethics ('the Code')<sup>i</sup> is substantively based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants. ICAS members are required to follow the five fundamental ethics principles in the Code: integrity; objectivity; professional competence and due care; confidentiality; and professional behaviour. There have been multiple examples of organisational scandals over the years – all rooted in unethical behaviour. As stated in **The Power of One** initiative<sup>ii</sup>, ICAS believes that Chartered Accountants (CAs) have a key role to play in restoring public trust in business. By championing the ethical principles of their profession and seeking to influence those around them, each individual CA can be a force for good in the organisations in which they work. In turn, ICAS has undertaken to produce guidance to assist members with their ethical responsibilities.

The Ethics Board concluded that it would be useful to develop an aide-memoire for ICAS members which would concisely highlight some of the factors to be taken into account when considering, arriving at a judgement on, and implementing, an ethical course of action. This would work in tandem with the

principles in the ICAS Code of Ethics, and also act as a foundation to help members reflect upon their personal ethical responsibilities.

The aim of the aide-memoire in this guidance document is to draw members' attention to the fact that there are different ways of looking at ethical dilemmas, and how people make decisions – that there are a variety of ethical perspectives which might be useful when thinking about an issue. When considering an ethical problem, people face a range of issues and influences, and one's first reaction to a problem will not always give the optimal answer, indeed determining the optimal answer can be challenging. The Ethics Board hopes that by providing this aide-memoire it acts as a 'signpost', raises awareness, and prompts members to think about things they might not otherwise consider when faced with an ethical dilemma. It is hoped that this framework for analysis will encourage members to pause for thought, and to reflect, and thereby broaden their perspective when facing an ethical decision, and aid their ethical decision making process.



# Executive summary

In the broadest sense, ‘ethics’ is an area of moral philosophy concerned with how people ought to live their lives. As an area of study, it has engaged great minds for millennia, and has generated many theories, of general and of particular application.

These theories can conflict. A person who followed unquestioningly Kant’s teaching that a moral, or ethical, act was one performed out of a sense of duty, would possibly act differently in a given situation from one who followed consequentialist theory, that one ought always to act in the way that brings about the best consequences.

ICAS does not seek to resolve the conflicts inherent in philosophical theories, or to produce a unifying theory of general application. The ICAS Ethics Board’s interest is more in practical ethics: how CAs are expected to apply ethics in making real-life decisions. This paper is intended to help members make the ‘journey’ from identifying the ethical dilemma to its resolution.

## **The Ethical Journey – an aide-memoire**

**The Power of One** calls on all CAs to take personal responsibility for demonstrating the highest standards of ethical behaviour throughout their career, and to place ethical leadership at the heart of their professional responsibilities. The five fundamental ethics principles within the ICAS Code of Ethics should underpin the CA’s approach to any ethical dilemma, and the ethical decision making process.

The ICAS Ethics Board has sought to develop the following framework – an aide-memoire – to try to help ICAS members navigate through and resolve ethical dilemmas:

**For a member of ICAS, ethics includes the consideration of the right, the good, and the virtuous actions to take in a particular circumstance, reaching a judgement, and having the resolve and courage to act accordingly.**

## **The Right, the Good, and the Virtuous**

The ICAS aide-memoire signposts three theories, or ‘schools’, of ethics – ‘the right, the good and the virtuous’. There are many schools of ethics. However, for practical purposes, the Ethics Board has taken the view that it is useful and informative to have regard to these three that have traditionally been viewed as the primary lines of ethical thought. The three ‘schools’ serve to highlight that when faced with an ethical dilemma, there are a range of factors that people can consider in order to aid with the resolution of the issue, for example:

**The Right: What are the technical aspects, laws and standards? Are there specific requirements in the ICAS Code of Ethics?**

**The Good: Who will be affected? What are the anticipated (quantifiable and non-quantifiable) consequences?**

**The Virtuous: What are my values? What are my organisation’s ethical policies and values? What feels appropriate?**

This 'three pronged' approach is intended to encourage members to think about matters that they may not otherwise consider. A CA must follow the law and the ICAS Code of Ethics, however many ethical dilemmas are not directly addressed by either of these and, therefore, the ethical perspectives above could be taken into consideration in order to form a reasoned judgement. There may not always be an easy, or obvious, solution – the three 'schools' may not always point to a common answer as to what is the most appropriate ethical action to take in a given circumstance – but nevertheless each provides a perspective to be taken into account in reaching a judgement. A member's course of action may require careful consideration on, and balancing of, various matters – including giving consideration as to whether the same conclusions would likely be reached by another party ('the reasonable and informed third party test') – in order to reach a decision that the member is happy with, and can defend, and explain, if required.

### **Moral Courage**

The aide-memoire also highlights that once a judgement has been made as to the ethical course of action often the difficulty lies in actually carrying out that action. A CA will often have to harness both resolve and courage to act morally.

### **ICAS Code of Ethics**

For members of ICAS, the ICAS Code of Ethics establishes the five fundamental ethics principles – integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour – and provides a conceptual framework that professional accountants must apply to ensure adherence to these ethical principles. The guidance provided in this paper does not qualify or limit the obligation to adhere to these five fundamental ethics principles. It aims to provide guidance that will enable professional accountants more readily to identify and to deal with ethical issues when they confront them. It is intended to support ICAS members in the ethical conduct of their professional lives, and in particular in decision making, in expressing opinions in relation to their own actions, and in advising those who depend on members in their decision making and actions.

# An Aide-Memoire for Ethical Decision Making

## Introduction

The objects of ICAS shall be to maintain and promote the status of the profession of Accountant, to promote and safeguard the rights and interests of its members in all matters affecting the profession, to uphold and enforce among its members a high standard of efficiency and professional conduct in the interests of the profession and the public generally and to give concentrated expression to their opinions upon all questions and laws affecting the business of the profession.

The Institute of Chartered Accountants of Scotland Royal Charter of 1854 and Supplementary Charter of 1951.<sup>iii</sup>

In order to meet the above objects of the Institute, professional accountants are required to adhere to the ICAS Code of Ethics and comply with the following five fundamental ethics principles:

- Integrity
- Objectivity
- Professional Competence and Due Care;
- Confidentiality; and
- Professional Behaviour.

The ICAS **The Power of One** initiative calls on CAs to take personal responsibility for living the ethical principles of their professional Institute throughout their career. It is these five fundamental ethics principles which should always underpin the CA's approach to any ethical dilemma, and the ethical decision making process. CAs need to be their own leaders in ethical behaviour in order to meet their professional obligations.

## The Dilemma

In general terms, issues faced by CAs can be split into three types:

- Those involving clear legal issues where it is evident how the law applies, for example, where there is bribery, money laundering, insider dealing, breach of contract, or tax evasion.
- Those where the law is uncertain or evolving and the position is therefore ambiguous, or where the law governs part of the issue, but does not address the whole issue (such as the tax avoidance debate), or if the evidence/facts are not clear.
- Those where illegality is not the issue but there are clear ethical issues, for example deciding between conflicting strategic priorities.

Acts which are criminal, according to the common law or by statute, are prohibited. The duty of the citizen, whether or not a CA, is to refrain from such conduct. In terms of Kantian philosophy, criminal acts are wrongs, and the prohibition follows. So far as concerns the personal conduct of the CA this is therefore relatively straightforward – the legal and the ethical courses of thought and action are the same, and no ethical dilemma need be confronted.

With civil law, obligations arising from for example general or subordinate legislation, or from contract, may also present fewer ethical challenges. The appropriate course of action may be clearly defined in the source enactment or document, or may follow from a proper interpretation of the provisions relevant to the decision. In such circumstances the legal and ethical standpoints generally coincide and dictate the appropriate course of action to follow.

Both criminal and civil law reflect Kant's views that there are duties which are absolute and unconditional: they are 'categorical imperatives'. They apply whatever consequences may follow from obeying them. For example, there is an unconditional obligation to avoid the fraudulent appropriation of the funds of a client or employer. The possibilities that the sum involved is of immaterial value to the owner of the funds, or that the benefit obtained by the appropriation is of immense value to the beneficiary of the fraud, are irrelevant to a decision or course of action.

However, real-life circumstances do not always make decisions straightforward. The tax avoidance debate is an example. Specifically created legal entities – so-called special purpose vehicles – can be used legitimately for many different purposes; however, special purpose vehicles with no commercial purpose are a different matter. A special purpose vehicle with no commercial purpose other than to reduce tax may not be illegal, but a CA might nonetheless not wish to advocate it because of ethical concerns.

Philosophers also sometimes argue that Kant's views do not accommodate the reality that there are flawed, or even 'wrong' laws. That said, whatever the force of such arguments may be among the various schools of moral philosophy, it is not open to CAs to take any course of action that is in conflict with a duty prescribed by an absolute and unconditional legal imperative.

The decisions and possible courses of action which raise ethical issues are therefore typically those which are not determined by any absolute or unconditional legal imperative. The challenge is therefore to find principles and guidance that will be of practical use to the CA confronted by the need to make, or to advise on, such decisions or courses of action.

### **The ICAS aide-memoire for ethical decision making**

The ICAS Ethics Board has sought to develop the following framework – aide-memoire – to help members with the 'journey' of resolving an ethical dilemma. It aims to concisely highlight some factors to be taken into account by CAs in considering, arriving at judgement on, and implementing an ethical course of action – and in particular for situations when there is not an unconditional legal requirement, or where there is not a clear-cut duty or obligation:

**For a member of ICAS, ethics includes the consideration of the right, the good, and the virtuous actions to take in a particular circumstance, reaching a judgement, and having the resolve and courage to act accordingly.**

This aide-memoire takes inspiration from a definition of ethics<sup>1</sup> by Dr David W. Miller, Director, Princeton University Faith and Work Initiative – 'the right, the good and the fitting' – and his related "Three Lenses Ethical Decision-Making Framework ©"; however, it has been tailored to take into consideration the ethics principles within the ICAS Code of Ethics to make it particularly relevant to the ICAS membership. We are very grateful to David for his guidance and significant contribution to our debate.

The components of the ICAS aide-memoire are discussed in more detail in the following paragraphs.

### **For a member of ICAS**

The Ethics Board has deliberately stated that this aide-memoire is intended to assist ICAS members. It should be relevant to others, but, for the purpose of this paper, the ICAS membership is the main focus of the Ethics Board's remit.

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<sup>1</sup> Definition of Ethics by Dr David W. Miller, Director, Princeton University Faith and Work Initiative: "Ethics is the art and discipline of discerning the Right, the Good, and the Fitting action to take, and having the creativity and courage to do it."



### **The Right, the Good and the Virtuous**

In the ICAS publication **Ethics and the professional accounting firm – A Literature Review**, Aileen Pierce quotes<sup>iv</sup>:

**Ethics refers to a discipline in which matters of right or wrong, good and evil, virtue and vice, are systematically examined.**

As noted earlier, there are many theories, or ‘schools’, of ethical thought. However, for this ICAS aide-memoire, the Ethics Board has taken the view, also suggested in the above extract from Aileen Pierce’s publication, that three traditional schools of ethics, which are widely accepted, would generally provide guidance, and would therefore be useful for our purpose. For its aide-memoire, the Ethics Board has used ‘the right, the good and the virtuous’ to identify the three schools. The Ethics Board recognises that this approach may not be comprehensive from a precise philosophical perspective, and that each ‘school’ has its own variants and complexities, however, the Ethics Board has taken the view that, as a basis for the ICAS framework, this succinct approach is easily understandable and therefore has practical benefits.

The use of the phrase ‘the right, the good and the virtuous’ serves to emphasise that the three ‘schools’ should be considered together when facing an ethical dilemma. Indeed, it is intended that a CA would use the term ‘the right, the good and the virtuous’ as a ‘rule of thumb’, or signpost, which would be applied in tandem with consideration of the fundamental ethics principles within the ICAS Code of Ethics, to assist with their ethical thinking.

A brief introduction to the philosophy of each ‘school’ is discussed in turn below. These paragraphs highlight that whilst each ‘school’ provides a useful perspective for making ethical decisions, all also have their limitations, and therefore all three ‘schools’ should be taken into account to find a solution to an ethical dilemma that is, on balance, the most appropriate/justifiable, taking all circumstances and considerations into account.

Incorporated within the narrative on each school, are discussions from a CA’s perspective, and suggested questions which a CA in particular may wish to consider when facing an ethical dilemma in practice.

### **The Right**

This component is derived from the school of ethics referred to as deontology, which focuses on duties, rights and obligations. The work of the philosopher Immanuel Kant is particularly influential in this area of ethics. Kant’s deontological position determines what is right or wrong based on the inherent characteristics of an action rather than on the consequences of that action. Acts are good or bad in themselves, depending on whether they are in compliance with a duty or obligation. In accordance with Kant, whether an act is ethical, does not depend on the consequences of carrying out, or desisting from, the act: it is independent of outcome. For an act to be ‘moral’ or ‘ethical’ on this approach it must hold for anyone in similar circumstances.

The logic behind the focus on rules is that if society has established certain norms, codes or laws, then these should be followed, whereas actions that do not meet the established norms should not be followed. This seems initially to offer a clear-cut means of considering what is the right action to take but there are a number of problems levelled at this school. What if there are two or more conflicting rules or duties? What if there is no law or rule on a given issue? What if someone would generally agree with a rule or law but does not believe it to be appropriate in a particular set of circumstances, perhaps circumstances not envisaged when the law or rule was devised? Or what if someone believes that a law was simply wrong? Sometimes there can be wrong, or flawed, laws – that is, just because something is the law doesn't necessarily mean it is 'right' – nonetheless, the law needs to be respected and cannot be disregarded. The concept of established norms by which you may judge behaviours might also become less helpful as society changes, and there could perhaps be less agreement on the "norms".

**Consider: What are the technical aspects, laws and standards? Are there specific requirements in the ICAS Code of Ethics?**

'The Right' focuses on laws, duties, rights and obligations. In the first instance, a CA must consider the technical aspects of any given situation – the applicable laws, codes, regulations and standards. If a professionally competent accountant, exercising due care, and viewing circumstances objectively is of the opinion that a proposed course of action on which a decision or action is required is illegal, that decision or action cannot be taken (as this would potentially contravene a number of the CA's five fundamental principles of ethical practice).

Decisions or actions that are illegal in such absolute terms must be distinguished from acts or decisions governed by a qualified duty or obligation. Many business related obligations are qualified. For example, obligations subject to the 'comply or explain' rule are not unqualified: the obligation is not absolute.

The legislative provisions of the UK Companies Act are a 'categorical imperative' – they must be followed. The UK Companies Act 2006 requires that accounts give a 'true and fair view', and, in most circumstances, this is achieved by compliance with accounting standards. However, accounting standards are not 'absolute and unconditional': the UK Companies Act 2006 provides for a 'true and fair override' which can be activated, in exceptional circumstances, where the directors believe that following the provisions in the Act or an accounting standard would not give a true and fair view. In these particular circumstances, there is a legal requirement to depart from the Act or accounting standard to the extent necessary to give a true and fair view. Similarly qualified duties or obligations may be present in laws of other jurisdictions.

In order to meet the obligations of their profession, a member of ICAS must also observe the requirements of the ICAS Code of Ethics and adhere to the five fundamental ethics principles. Whilst not a legal requirement, failure to follow the Code may lead to disciplinary action under the ICAS Rules. The Code provides a conceptual framework to identify and evaluate the threats to compliance with the fundamental principles, and then to apply safeguards, where appropriate and available, to eliminate the threats or reduce them to an acceptable level. In addition, the Code uses the word 'shall' to highlight a number of specific requirements.

A professional accountant must follow these requirements, including prohibitions or mandatory actions, where circumstances are the same as, or analogous to, those addressed by those requirements. However, similar to the ‘true and fair’ override, failure to follow such guidance may be justified in those rare circumstances where to follow a precise prohibition or mandated action would result in failure to adhere to the fundamental principles.

As noted earlier, complex ethical issues are therefore more likely to arise where the situation is not clear cut, or where, perhaps, there are conflicting legal duties or obligations. A simple example would be where the terms of engagement of the accountant dictate one decision or course of action, legitimate at the time of entering into the engagement, but by the stage of execution the relevant law has changed so as to make the act illegal or of questionable legality. Contractually, the obligation to carry out the act may be unchallengeable. But Kantian theory would not provide a defence to the charge of illegality.

If deontological theory does not provide an answer, or does not provide a satisfactory answer, because there is not a clear-cut duty or obligation in the circumstances, it is unlikely to provide guidance for the professional accountant. Consideration, therefore, must also be given to the other ‘schools’.

### **The Good**

People often refer to the idea of the ‘common good’ though this term is difficult to define. The ancient Greek philosophers, including Plato and Aristotle, discussed the common good in terms of citizenship, stressing that rulers should act for the common good rather than for their own interest. The ethical theory of ‘consequentialism’ says that people ought to act in the way that brings about the best consequences, that makes the world a better place.

As noted in the Introduction, the public interest remit of ICAS as set down in its Royal Charter – which underpins the broad obligation that the profession should act in the public interest – possesses some similarities. The ICAS Code of Ethics also refers to the ‘public interest’, with paragraph 1.2 in the “Approach, Scope and Authority” section of the Code stating: “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.” However, it is perhaps a mistake to use phrases such as the ‘common good’ and ‘public interest’ interchangeably as they are not necessarily complete equivalents. A 20<sup>th</sup> Century interpretation was put forward by John Rawls who argued that the common good would be served where conditions applied that were equally to everyone’s advantage, such as good schooling or good health services available for all.

The utilitarian school, which is a form of consequentialism, is commonly paraphrased as ‘doing the greatest good for the greatest number’ and offers one means of assessing the common good in terms of the relative balance between good and bad consequences of an action. Based initially on the writings of Jeremy Bentham who advocated engaging in actions to maximise pleasure and minimise pain, and developed by John Stuart Mill, the utilitarian approach involves making value assessments and tradeoffs between good and harm.

The utilitarian approach seems to be intuitively sensible, providing a straightforward means of making decisions. In practice, however, there are problems. What is the ‘common good’? For whom is something ‘good’? How many people need to be considered? Beyond these questions, how can we assess all possible consequences of an action? What about those consequences that cannot be measured?

**Consider: Who will be affected? What are the anticipated (quantifiable and non-quantifiable) consequences?**

Utilitarianism is based on the assumption that 'happiness' is the ultimate aim of all human activity, and 'good' behaviour is that which will probably bring about the greatest total happiness, or, negatively, bring about the least amount of unhappiness. In the context of professional behaviour 'benefit' is, perhaps, a more appropriate test than happiness. Utilitarianism may require to be considered whether or not the act or decision is repugnant to the accountant's own professional or personal values. The ICAS Code of Ethics fundamental ethics principle of 'objectivity' comes to the fore in such circumstances. If, when applying an objective view of a proposed act or course of action, the tests of legality or conformity with duty are met, and the accountant's professional and personal values are not challenged, consideration of consequences, or probable costs or benefits, may help the accountant make a decision. On the other hand, projected outcomes are seldom simple, and are more than likely to point to benefit for some and disadvantage for others. The concept of 'public interest' in this context can be particularly problematical.

A famous example of 'a consideration of consequences' took place in the 1970s and involved the Ford Motor Company which developed the Ford Pinto, a car with a defective fuel system that ignited in some types of rear-end collisions causing devastating injuries. When the company became aware of the defect, a risk assessment was conducted and the cost of rectifying the defect was found to amount to \$11 per car or truck, with a total estimated cost of \$137 million.

Then the company calculated the value of not remedying the fault by estimating the cost of compensation for an estimated 180 deaths, 180 serious burns and 2,100 burned vehicles, amounting to \$49.5 million. The decision seems inexcusable – but the company decided not to rectify the fault and save \$87.5million<sup>v</sup>.

While this case clearly illustrates the limitations of a cost-benefit approach, a consideration of consequences can nonetheless form part of the reflection on a dilemma. For example, nowadays there is a greater emphasis on sustainability and there are increasing expectations for organisations to behave responsibly – organisations need to be thinking about the impact of sustainability on their organisation, and also the impact of their organisation on the environment and society. If we assume a situation where two projects appear to be equally sound but one has more beneficial consequences, for example involving fewer redundancies or being more environmentally friendly, then a consideration of consequences can help to inform the decision.

**The Virtuous**

The third school, known as virtue ethics, focuses on 'values' and 'virtues'. It has its roots in the work of Plato and Aristotle, but has gained prominence through the work of Alasdair MacIntyre. Virtue ethics differs from deontology in that deontology focuses on the right action whereas virtue ethics focuses on the character of the person making the decision. The question is not 'what is the right action?' but rather 'what would a virtuous person do?'

Which virtues could be applied to the accountancy profession? The ancient Greek philosophers recognised virtues such as wisdom, courage, temperance, justice, fortitude and generosity. Other values that could be classified as virtues that are commonly identified with accounting include integrity, objectivity, honesty, reliability, independence and trustworthiness. Most recently, attention has begun to focus on the ethics of care, for example taking care of others, nurturing and being patient. From a review of the values of a sample of FTSE 100 companies for ICAS' The Power of One publication **'The CA and the organisation'**<sup>vi</sup>, it was noted that words such as 'care' and 'inclusive' are now being given more prominence by a number of companies within their values, perhaps in recognition of the societal shifts in more recent years.

From 1 January 2021, the ICAS Code of Ethics has highlighted the importance of CAs respecting values of equality, diversity and inclusion. In addition, the 2026 ICAS Code of Ethics will include the following paragraph (developed by the Institute of Chartered Accountants in England and Wales) in relation to the professional behaviour principle to strengthen members' understanding of the importance of ethical conduct in their professional lives:

**"115.1 A2 A reasonable and informed third party would expect that a professional accountant, in their professional life, treats others fairly, with respect and dignity and, for example, does not bully, harass, victimise, or unfairly discriminate against others."**

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 Virtuous' focuses attention on the most appropriate action to take. Something may be within the law, the potential 'good' may outweigh the 'harm', but that does not necessarily mean that a particular course of action is the most appropriate if it does not marry with an organisation's values or reputational risk appetite. This is where the 'virtuous' aspect to the ethical decision comes into play.

This is highlighted in ICAS' **Guidance on Conflict of Interest**<sup>vii</sup>. The guidance explains that accountancy firms have, historically, tended to focus on whether they 'could' accept an engagement involving conflict of interest (i.e. whether the firm is capable and can manage any conflicts that exist). However, more recently, through discussions with firms, it has become clear that there is significant reputational risk in proceeding against the trend of public opinion. As a consequence, the key determinant now being whether the firm 'should' accept an appointment, as opposed to whether the firm 'could' accept it. Building upon these findings, ICAS recommends to firms and members that, in line with the 'right, good, and virtuous' model, a greater emphasis needs to be placed on the ethical and public interest aspects, such that the question becomes whether the firm or member 'should' undertake an engagement which involves a conflict of interest as opposed to 'could'.

Giving consideration to the reputational aspects of an action i.e. not only considering whether you 'could' undertake an action but also whether you 'should', is however useful as part of any ethical decision-making process. It is a similar thought process to the Code of Ethics requirement to use the 'reasonable and informed third party test' – giving consideration to whether the same conclusions would likely be reached by another party – when making a judgement as to the most appropriate action to take.

**Consider: What are my values? What are my organisation's ethical policies and values? What feels appropriate?**

In many respects, the most important question for a professional accountant to consider is whether a course of action is compatible with their personal and professional values. If any of these personal or professional values are challenged by an act or decision that is in contemplation, that is not illegal or in breach of any duty in itself, the accountant's ethical stance may still be undermined by participation in the process.

Because these virtues are part of the common catalogue of professional values, it is easy to assume that they are known, are understood, and are 'of course' factors that influence conduct. However, professional accountants do encounter situations in which duty not only fails to determine the right course of action, but provides no assistance in questions that may be wholly unprecedented. Left with no guidance except what one instinctively 'feels' about a situation, the challenge of personal integrity, objectivity, honesty, reliability, independence and trustworthiness is what must be confronted to ensure that the decision or course of action proposed is ethically acceptable. That challenge is not met by one's initial 'gut feeling'. It requires a well thought-out and carefully articulated understanding of the value of one's reputation for having and for demonstrating these virtues in professional practice.

It may also be helpful for a professional accountant to look to the ethical policies and 'values' of the organisation for which they work when facing an ethical dilemma. Values are a human trait. However, organisations also highlight their values. 'Ethical' values such as honesty, integrity, and trust are often used within organisational literature.

An organisation is a collection of individuals, and if the 'culture' within the organisation encourages individuals to 'live' the stated ethical values it can be helpful to those who face an ethical dilemma – either to uphold the values or to challenge others, including senior management, if decisions taken are in conflict with these values.

That said, in reality, an organisation's culture can be quite different from its stated ethical values, and that can discourage individuals within the organisation from 'speaking up' when confronted by an ethical dilemma. Organisations need to engender a supportive and collaborative environment where people are encouraged to speak up without fear of retaliation or detriment. As discussed in the ICAS research **Speak up? Listen Up? Whistleblow?**<sup>viii</sup>, whistleblowing/'speak up' mechanisms within organisations are vitally important – they encourage and empower individuals to 'speak up' if they encounter ethical issues and give them the confidence to promote good behaviour and influence others. Speaking up allows issues to be dealt with at the earliest opportunity before they escalate. However, listening is also important: concerns need to be listened to and then action taken by leaders in the organisation to investigate the issue. Sometimes an investigation will show that there are no issues, sometimes people will be mistaken, but they need to know that matters will be investigated so that issues of concern do come to light.

An organisation's stated ethical values therefore need to be more than rhetoric if they are to be effective. Ethical values need to be 'lived' by everyone in the organisation, and particularly by those at the top of the organisation. It is the responsibility of those in charge of organisations not only to set the appropriate 'tone at the top', but also to 'walk the talk'.

The Chairman, the CEO, the Board of Directors, and the shareholders, must all therefore take responsibility for a culture of ethics by ensuring that the stated organisational values are cascaded down through, and lived by everyone within, the organisation. If individuals within organisations live up to the organisation's published values then this, in turn, can help engender trust among stakeholders. The importance of building, and maintaining, trust in an organisation cannot be overstated. An ethical organisational culture effectively enables employees to protect the 'values', and 'value', of the organisation.

The virtues also provide a context for evaluating the threat to reputation, both individual and organisational, in difficult situations. For further guidance in relation to reputation, ICAS has published a paper **Personal Reputation**<sup>x</sup> as part of **The Power of One** initiative. If a proposed decision or course of action is incompatible with any of the virtues one claims to have and employ, it ought to be avoided. Of course, in most situations little difficulty is likely to be encountered, or, if encountered, will be readily resolved. It is where situations are not clear cut, where the circumstances make one pause before committing to an opinion or carrying out an action, that difficulty arises, and then a more rigorous analysis of the decision or action is required, testing it against the virtues that one aims to uphold. It is in this area that the need is most pressing for resolve, and for courage, to ensure that the most appropriate judgements are arrived at and that the most appropriate actions follow.

Rapid technological advancements are creating new opportunities, but likewise risks, for organisations nowadays. Organisations need to be prepared to be able to deal with these new technologies from the outset. The rise of AI brings greater complexity in addressing ethical dilemmas such as data usage, security and confidentiality concerns, and the potential for bias and misinformation. Failure to manage new technologies appropriately could lead to reputational damage and the loss of trust of stakeholders.

Virtue ethics has been criticised for failing to provide a blueprint for action and for not taking specific contexts into account – in essence, what would a virtue ethics approach look like in practice? Nonetheless, as accountants, we may encounter dilemmas where there is a lack of precedent, or where there is no relevant legislation or rule or code, or where we do not feel comfortable with taking decisions that may have particular consequences. Accountants often say that, in the end, they frame decisions in terms of their values: Are they happy with their decision? Can they sleep at night? As such, they may be unknowingly referring to values that resonate with the virtue ethics approach.

### **Consideration and judgement**

The guidance obtained from these theories often conflicts. None of the exponents of moral philosophy has so far succeeded in producing a unifying theory that resolves the conflicts that almost inevitably arise when an attempt is made to compare the ethical characterisation of an act by two or more of the three theories.



In addition to this inherent conflict, problems arise from society's disposition to change its values over time. One example where values have changed over time is in relation to tax avoidance. Well into the second half of the twentieth century, the appropriate stance for a professional accountant advising on a client's tax affairs was that laid down by the first Lord President Clyde in **Ayrshire Pullman Motor Services v I.R.C.** (1920) 14 TC 754:

**No man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores...the taxpayer is...entitled to be astute to prevent, so far as he honestly can, the depletion of his means by the Inland Revenue.**

In more recent times, society's views have changed in relation to taxation.

As noted earlier, even if tax advice is within the letter of the law, it can be viewed by society as being an abuse of the tax system, and detrimental to the public interest. Lord Clyde's view was that morality had no place in tax law at all; now there appears to be a societal view that there is a moral obligation on companies to act within the spirit and not just the letter of the law. **The Professional Conduct in Relation to Taxation** (Effective from: 1 January 2026 Published: 1 October 2025)\* issued by various professional bodies for tax advisors provides five standards for tax planning (which are supplementary to the ethics principles within the Code of Ethics) with the Standard 'Advising on Tax Planning Arrangements' stating:

**Members must not create, encourage or promote tax planning arrangements or structures that i) set out to achieve results that are contrary to the clear intention of Parliament in enacting relevant legislation and/or ii) are highly artificial or highly contrived and seek to exploit shortcomings within the relevant legislation.**

Different individuals may also have a preference for a particular 'school' of ethics. The logic to 'the right, the good and the virtuous' approach is that if people can develop a greater awareness of other ways of thinking, and listen to other views, then better ethical judgements can be made. This demonstrates the need for an 'ethically balanced' Board. For example, if a Chief Executive has a propensity towards one rather than another school, this might not necessarily result in the most appropriate course of action being taken when a judgement has to be made.

Most people would stop short of disobeying a law but some might try to find a loophole or, if the matter wasn't legal in nature, would still have to balance up the various approaches to ethical decision-making. The ICAS ethics aide-memoire suggests that members should consider all three 'schools' in any particular situation to allow assessment of a scenario to be made, a measured judgement to be reached, and, in turn, appropriate action to be taken. These principal factors may not in every case point to a common answer to the issue of what is ethically the appropriate course to take in the circumstances. Nonetheless each will provide a perspective on the issue which should be taken into account.



It follows that a decision will not always satisfy each of the three considerations. Ethical dilemmas in practice do not necessarily have the neatness of textbook examples. What if something satisfies some of the schools but not all? The Chartered Accountant, as a professional, needs to exercise judgement to decide on the course of action to be taken. The three schools therefore represent three aspects to consider rather than three absolute requirements. Decisions have to be taken by CAs holistically, after thinking about these and other issues, and always ensuring adherence to the law and to the five fundamental ethics principles of their profession – integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

ICAS has published an **Ethical decision-making framework**<sup>xi</sup>; case studies<sup>xii</sup>, including CAs' real-life ethical dilemmas featured within the ICAS **Speak up? Listen Up? Whistleblow?**<sup>xiii</sup> research; and a series of papers on ethical leadership as part of **The Power of One** campaign<sup>xiv</sup>, which can be used as a point of reference. The ICAS Ethics Helpline Service<sup>xv</sup> provides guidance to members as required, and ICAS is also partnered with whistleblowing charity Protect to provide members and students with access to an independent, confidential helpline<sup>xvi</sup>. This service offers free advice regarding whistleblowing and speaking up. ICAS also offers an Ethics Buddy Service<sup>xvii</sup> which enables a CA with an ethical dilemma, where deemed appropriate, to have confidential, informal, discussions with an experienced ICAS Member in order to explore their issue and assist them in considering how they might approach their dilemma.

Sometimes it can also help to speak with others regarding a situation rather than facing a problem in isolation. Members are therefore encouraged to seek the views and support of others (subject to confidentiality restrictions) if they feel the need arises – be that a line manager, a partner in one's firm, other directors on the Board, another CA in the organisation, another CA elsewhere, or indeed ICAS itself.

### **Resolve and courage to act**

ICAS' **The Power of One** initiative highlights that it is the duty of each individual CA to be personally responsible for upholding the highest standards of ethical behaviour throughout their career and to place ethical leadership at the heart of their professional responsibilities.

However, ICAS also recognises that this may not be easy. Each individual professional accountant needs to have courage in order to be able to maintain, when challenged by others or by circumstances themselves, the highest of ethical standards. Since 1 November 2017, the need for Chartered Accountants to have 'courage to act morally' has been highlighted in the ICAS Code of Ethics to reflect that ICAS recognises that often 'doing the right thing' may not be easy and the ICAS belief that 'moral courage' is an underpinning qualitative characteristic required of a CA in order to be able to uphold the five fundamental principles.

From January 2022, following an IESBA project to promote the role and mindset expected of professional accountants, application material was 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 viewed this as reinforcing the message of moral courage. ICAS has retained moral courage as an enabler and this works together with the IESBA enhancements to the fundamental principle of integrity.

The ICAS paper **Moral Courage**<sup>xviii</sup> (published as part of **The Power of One** series of ethics themed papers) provides a more detailed discussion about this topic. As noted earlier, an organisation’s stated ethical values can be helpful to individuals within an organisation facing an ethical dilemma and can provide them with a platform to use courage. However, employees and other stakeholders need to see these stated values as being more than rhetoric – these values need to be validated by actions – particularly by those at the top of the organisation. There is therefore a need for organisations to have values which individuals can ‘live’, and use as part of their courage in making ethical decisions.

The Ethics Board would also encourage documentation throughout the ethical decision making process. Writing down your thinking and the balance of arguments can help with reaching a conclusion. It also ensures that there is a record of the issue and the matters taken into consideration in reaching the judgement and action, and particularly in extreme circumstances if there is any doubt as to whether the law or the ICAS Code of Ethics has been followed. The ICAS **Ethical decision making framework** provides further guidance on this.

## Conclusion

The analysis of ethical issues in terms of ‘the right, the good and the virtuous’ reflects the importance of the need for professional accountants to be aware of the complexity of the moral dilemma in any particular situation, and to have regard to these strands of ethical theory, in their practical application, in making a full assessment of a scenario, in arriving at a measured judgement and in taking action or advising on appropriate action.

In any challenging situation, an ethical decision will not necessarily, or even probably, satisfy guidance derived from a consideration of all three factors. Where there is conflict, the professional accountant must exercise judgement in arriving at a decision on the appropriate course of action to take, balancing each consideration against the others, and always bearing in mind the fundamental principles of the ICAS Code of Ethics.

By considering each of the three components of ethical decision making and action, and ensuring that the significance of these components is understood, weighted in the balance, and brought to bear on the opinion or action decided on, the professional accountant will more readily be satisfied that an ethically valid judgement has been made, and will be better able to demonstrate to others that that has been the case.

# The Ethical Journey

Documentation is encouraged throughout the ethical decision making process

The Ethical  
Dilemma

Consider Consulting with Others

Consider  
The Five Fundamental Ethics Principles –  
Integrity, objectivity, professional competence and due care, confidentiality and  
professional behaviour

## The Right

What are the technical aspects, laws and standards? Are there specific requirements within the ICAS Code of Ethics? Consider the relevant technical guidance, laws, standards, regulations and codes

## The Good

Who will be affected?  
What are the anticipated (quantifiable and non-quantifiable) consequences?

## The Virtuous

What are my values?  
What are my organisation's ethical policies and values?  
What feels appropriate?

Consider Consulting with Others

Determine Ethical Decision and Act Accordingly

# Endnotes

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