

CCAB Ethics Survey 2021

Briefing

Introduction

There exist few surveys of the ethical pressures faced by accountants. Ethics is at the heart of being a professional accountant. But, it can be a difficult topic for any professional to talk about. We don't like to think of professional accountants doing the wrong thing or being pressured by others to do so.

Each of the UK and Irish professional accountancy bodies which make up the CCAB have Codes of Ethics which are substantively based on the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants. Professional accountants are required to adhere to the five fundamental ethics principles contained within the Code, namely: integrity; objectivity; professional competence and due care; confidentiality; and professional behaviour. Professional accountants also have a responsibility to act in the public interest, by taking into consideration not only their obligations to their client or employer, but also the interests of other stakeholders when performing their professional activities.

However, the accountancy profession has been in the spotlight over recent years with several high-profile corporate failures in both the commercial and public sectors. The role of accountants and auditors is often seen to be just as relevant as the actions of the directors of those organisations.

It is also recognised that the coronavirus pandemic has had, and is having considerable bearing on business performance, which could result in challenges for professional accountants to compromise or be compromised in relation to one or more of the fundamental ethics principles.

The **CCAB Ethics Survey** was an informal survey created in 2021 by the CCAB Ethics Group, under the group's chair, Iain Lowson. The group designed a survey to take the ethical temperature of the accountancy profession in the UK and Ireland over the last 3 years and as we emerge from the COVID-19 pandemic. It was an anonymous survey to encourage open and accurate responses. This was not a rigorous academic exercise and the survey link was distributed through the member networks of the five professional bodies subscribed to CCAB's membership. Nevertheless, the findings broadly concur with those of surveys conducted by CIPFA (2018) and the European Federation of Accountants and Auditors for SMEs (2015).

Survey participation

In total, **445 completed survey responses** were recorded. In addition, the survey received more than **300 verbatim comments** and/or answers to questions.

The **gender** distribution was: 63% Male, 33% Female, 1% Other and 3% Prefer not to say.

In terms of age range:

11%	were under 34
21%	35 to 44
27%	45 to 54
32%	55 to 64
9%	were over 65

There was a representative spread of responses from the following four sectors:

Audit / Accounting firm	36%
Public sector	33%
Commercial sector	21%
Charity/Not for profit	8%

Working status was recorded as:

Employed	70%
Partner	17%
Contractor	8%
Other	5%

Work location was recorded as:

UK (GB and NI)	72%
Ireland	17%
Africa	4%
Internationally	3% (not based in one nation/continent)
Europe	2%
Asia	1%
Americas	1%

Role was recorded as:

Accountant / Auditor	30%
Supervisor / "Head of"	16%
Director /Assistant Director	20%
CFO / FD	14%
CEO / COO	5%
NED / Trustee	3%
Trainee	1%
Other	11%

Survey Findings

27 per cent of respondents indicated that in the last three years they **had** been put under pressure or felt under pressure to act in a professionally unethical way. There was no material difference in the proportion of answers to this question by sector. The mean response was that this had happened on 4 occasions, with a maximum of 20.

28 per cent of respondents identified the “CFO/FD/CEO/or any other director”, and 27 per cent identified “My line manager or their line manager” as the **person who applied the pressure**. 18 per cent said it was a “client”, 10 per cent cited “the Board/Cabinet/Council”.

Incentives to act unethically were reportedly offered to 6 per cent of respondents with a handful of comments from survey respondents citing bonuses, promotion, favourable treatment and even holidays and cash as examples.

54 per cent of respondents **felt under threat** in some way. Just over 60 respondents included comments highlighting the toll on mental health and economic well-being this had, which included feeling isolated, being dismissed, being briefed against, facing false allegations, loss of client, “gaslighting¹”, poor performance reviews, being ostracized and future prospects threatened.

The survey asked respondents to select the **type of pressure** they were put under from a list of twenty-five options (including an option to include an open-ended response). The top four responses were:

- Excessive optimism in budgets, business cases, cash flow forecasts and plans
- Unreasonably downplaying risks in budgets, business cases, cashflow forecast and plans
- Categorising personal expenses incurred by employees, directors, or shareholders as company expenses
- “Getting around” local policies, standing orders, Standing financial instructions, procurement regulations

Verbatim comments in response to this question included describing the alteration of audit opinions; not obtaining sufficient appropriate evidence; ignoring ethical standards re: provision of non-audit services; contingent fees; favourable reporting on weak internal controls; manipulation of reporting performance, altering figures to make the bottom line look worse (in order to strengthen the case for more funding); not reporting a colleague for unethical behaviour; reducing funds available to creditors in order to maximise returns to director (insolvency situation); treating items incorrectly for tax purposes.

The findings, in terms of the types of unethical actions that respondents were asked to do regarding misleading financial reporting, mirror those identified in Financial Reporting Council’s Annual

¹ the act of manipulating a person by forcing them to question their thoughts, memories, and the events occurring around them

Enforcement Review 2021 <https://www.frc.org.uk/news/july-2021/44-growth-in-frc-enforcement-division>

On a positive note, of those put under pressure, almost 80 per cent **spoke up** to prevent being put under the pressure.

65 per cent **did not carry out the unethical task** that they were pressured to do. However, 10 per cent did carry out the task fully and 25 per cent did so “partially”.

In terms of **consequences** suffered, almost one third of respondents experienced anxiety, stress and depression. 13 per cent experienced no consequences and for 7 per cent the relationship/respect with the third party improved. But many respondents resigned, were subject to disciplinary processes, were removed from their role or made redundant. A small number experienced an increase in substance misuse (e.g. alcohol, drugs).

Around two-thirds of respondents sought **support**. 73 per cent indicated the support they received was helpful or very helpful. Of those that sought support 32 per cent went to family / friend /colleague. Just 8 per cent approached their professional body.

When respondents were asked if they **felt more or less pressure than three years ago**, two-thirds felt it was about the same, with an even balance recording it as either less so or more so.

Respondents identified the following **drivers** that could generate an increased **risk to professional or business ethics**;

Economic effects of Covid-19	11%
Hitting targets / “Control Totals”	11%
Austerity / funding squeeze	11%
Politics - local and central	9%
Regulator pressure and demands	9%
Job insecurity	8%
Coronavirus working arrangements	7%
Incentives / rewards for organisation	7%
Complex contracts / trading vehicles	6%

When respondents were asked if they’d read their **own Institute’s Code of Ethics in the past 3 years**, overall 82% of respondents said they had read it “in full” or “in part”. However, 18% had not read the Code at all.

On a positive note, 88 per cent of respondents said that “yes” they **personally encourage and promote an ethics-based culture** in their organisation, with a further 9 per cent saying they “sometimes” did so, but this fell to 45 per cent saying “yes” when the question was asked if the respondents’ **own organisation promoted ethics**, with an additional 34 per cent saying “sometimes”.

When asked if their **organisation promoted, publicised and talked about professional ethics responsibilities with Board Members**, 65 per cent responded positively, either “Yes” or “sometimes”.

When asked if ethics training should be a **mandatory element of Continuing Professional Development (CPD)** for professional accountants, 88 per cent said yes.

And finally, just over half of all respondents reported that they had **undertaken formal training on ethics** including e-learning, webinars, self-directed study, or face to face training.

When asked about their **preference for undertaking ethics training** the rankings were reported as follows:

1. E-learning
2. Webinars
3. Self-directed study of the Code and relevant articles
4. Face to Face

Conclusion

This survey of 445 professional accountants offers useful insight into their recent experience of ethical pressure.

Just over one quarter of responses indicated that in the last three years they had been put under pressure, or felt under pressure, to act in a professionally unethical way, something that in many cases took a toll on their mental health.

Despite this, the survey highlights a robust attitude to ethical matters among the profession. Respondents were clear in understanding their own ethical boundaries and faced with pressure, professional accountants recognise their ethical responsibilities and speak out against unethical behaviour. Many respondents told us they personally promote an ethics-based culture.

The CCAB Ethics Group believes UK accountancy bodies should consider what more they can do to promote their Code of Ethics as well as communicating and the roles, responsibilities and accountabilities of individual members. The Institutes are ideally placed to embed knowledge-sharing and insight on ethics into their strategies and action plans.

The survey findings should prove useful for:

- professional bodies to consider how to ensure their members know and understand their professional ethical responsibilities, including whether ethics should be a mandatory element of Continuing Professional Development (CPD);
- firms, employers and clients to be made aware of and respect those professional obligations;

- firms and employers to encourage and promote ethics in the workplace (both in terms of professional and business ethics and in a more general sense);
- professional bodies to consider whether they have adequate support in place for members who might be struggling with ethical dilemmas or find themselves under pressure.

About CCAB

The combined membership of the five CCAB bodies - ICAEW, ACCA, ICAS, CIPFA and Chartered Accountants Ireland - amounts to over 282,000 professional accountants in the UK and the Republic of Ireland (over 408,000 worldwide).

CCAB provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy.

CCAB's credibility stems from its insight into all areas of finance and accounting, from finance director and audit partner to management accountants, professional advisers, public sector finance leaders and entrepreneurs. CCAB's members work through the financial value chain in all sectors as key decision makers and business leaders within the UK and around the world.

December 2021

Consultative Committee of Accountancy Bodies

ICAEW | ACCA | CIPFA | ICAS |
Chartered Accountants Ireland

Tel: 020 7920 8100

fax: 020 7920 8783

admin@ccab.org.uk

<https://www.ccab.org.uk>

PO Box 433

Chartered Accountants' Hall

Moorgate Place

London EC2P 2BJ

Registered Address: CCAB Limited, Chartered Accountants' Hall, Moorgate Place, London EC2R 6E
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