



The Chartered Institute of
Public Finance & Accountancy

CIPFA North West Audit, Risk & Governance group

Ethics and Internal Auditors

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What is ethics?

“Ethics infers compliance with a set of rules and regulations”

“it’s about character: a person’s character will dictate their actions in pressure situations”

“if what you are about to say or do including your intents and motives would be reported in the national press tomorrow, would you still do it”

What are the rules on ethics

- International Ethics Standards Board for Accountants (IESBA) developed the Code of Ethics for Professional Accountants (the code)
- Code is published by International Federation of Accountants (IFAC) and owns the copyrights
- IFAC – objective of developing and enhancing a coordinated worldwide accountancy profession with common standards
- CIPFA is a member of IFAC

CIPFA's ethical guidelines

- CIPFA fully adopts the code and along with its own foreword forms the CIPFA Standard of Professional Practice (SOPP) on Ethics
- Adherence to the SOPP is an obligation of membership of the Institute and all members and students are required to act in accordance with it
- Apparent failure to do so and any departures from the standard may lead to action under the CIPFA Disciplinary Scheme

Key elements of the SOPP

- Code is made up of 3 parts:
 - Part A – General application, the fundamental principles and how they should be interpreted and understood. Applies to all accountants and students irrespective of their work role
 - Part B – Sections relevant to professional accountants in public practice. Applies to those who work as auditors in public practice
 - Part C – Sections relevant to professional accountants in business. Applies to everyone else

- IFAC Code has been updated in 2016 and CIPFA is in the process of adopting it for the new SOPP

Key elements of the SOPP

Fundamental principles in the SOPP:

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

Intrinsically linked to the Nolan seven 'principles of public life' – which the public expect accountants working in the public sector to act in accordance with

Key elements of the SOPP

SOPP identifies a series of threats that could persuade individuals to override objectivity and breach the principles included within in and which could include:

- Self-interest
- Intimidation
- Self-review
- Familiarity
- Advocacy

Key elements of the SOPP

SOPP identifies two main categories of safeguards than can be used to mitigate unethical behaviour arising from these threats:

- Institutional safeguards – standards, policies, financial regulations, hospitality registers, declarations of interest, segregation of duties etc.
- Personal safeguards – character, networks, contacts, removing a conflict of interest, Ethics Sounding Board

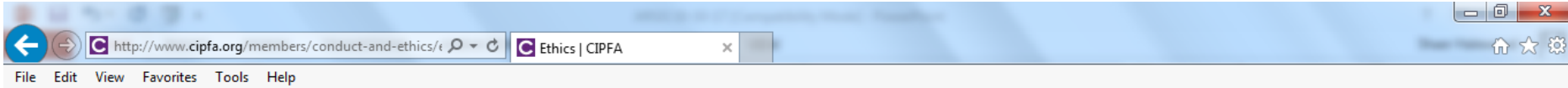
How do you audit ethical compliance?

- Tangible compliance – testing whether rules, policies and procedures are being followed. Appropriate segregation of duties in place. Declarations of conflicts of interest and hospitality registers are completed
- Intangible compliance – staff surveys, interviews, opportunities for career progression, CPD, changes to the audit plan, length of time in post, health and wellbeing changes, organisational culture, social media

How do you audit ethical compliance?

Speak to the person/people next to you to discuss:

- What examples are there of tangible compliance – do you think they are an appropriate test of auditing ethics. Why?
- What examples of intangible compliance could be used to better test the audit of ethical compliance?
- How will you take this back into your organisation?



Ethics

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The **SOPP on Ethics** (PDF, 570 KB) is based on the International Ethics Standards Board of Accountants (IESBA) Code of Ethics, which CIPFA adopts in full. The IESBA periodically updates its Code; CIPFA's SOPP is current based on the 2011 version but will be fully updated with the most recent Code of Ethics by 2018, subject to the timetable of the ongoing IESBA restructuring project.

The Code is based on five principles. They are:

1. Integrity
2. Objectivity
3. Professional competence and due care
4. Confidentiality
5. Professional behaviours.

The Code is split into three sections:

- Part A - applies to all CIPFA Members
- Part B – accountants employed in practice; for CIPFA Members this includes Members who are employed in the national audit agencies and framework contract firms

Members

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