



THE GREY AREA

When we talk about ethics in accountancy, it's often in black and white terms. But what happens when things aren't so clear?

WORDS ANNIE MAKOFF-CLARK

There are strict protocols and procedures in place to ensure accountants perform to the highest ethical standards. This is because almost every accountant will be faced with an ethical dilemma at some point in their career.

Katherine Bradshaw is head of communications at the Institute of Business Ethics, author of *Encouraging a Speak up Culture* and a series of online best practice guides that encourage firms to create a much more open culture around calling out unethical, unsafe or unlawful concerns.

"Often an ethical dilemma

may be a conflict between different loyalties," Bradshaw explains. "It may be about compromised values or breach of conduct, which isn't necessarily illegal but may go against an organisation's policies. It can be the difference between tax avoidance and tax evasion."

GIVE YOURSELF TIME

"One of the worst things you can do is make a knee-jerk decision," warns Bradshaw. "There's a lot of research into why good people make bad decisions and one of the factors is feeling pressured. So tell your client you need time

to think it through."

Bradshaw likens it to a high-pressure sales environment where consumers can be pushed into making impulsive purchasing decisions. "A salesperson might say, 'this is a once in a lifetime opportunity!' Or, 'it's selling fast, so you need to let us know now!' In those situations, you need to go away and think about it."

According to Bradshaw, it's important that employees are supported at an organisational level. They should feel confident they can ask for more time, even if they've been told they have to make a decision within



USE THE THREE QUICK TESTS

For accountants struggling with an ethical dilemma, the Institute of Business Ethics recommends three quick tests to help when deciding what to do. Ask yourself:

- **Is it legal?**
- **Who will my decision affect?**
- **What would my grandmother say?**

The first, says Bradshaw, is relatively easy to ascertain – if it's illegal, don't do it. Secondly, it's useful to think about who the decision will affect in the long and short-term. Bradshaw points out

that although you may be upsetting your client by declining an unethical request, you may be risking your reputation or business by going ahead with it. In the short-term, saying "no" may result in losing a client, as in Drower's case, but in the long-term, you'll have maintained your reputation. If all else fails, the so-called "grandmother test" is the one to try, advises Bradshaw. "Ask yourself what your grandmother or mother might say if they knew what you'd done. If you wouldn't want anyone to know about it, it's probably not a good idea."

end up with a bad reputation. So get it out into the open as soon as possible by talking it through with someone else," Bradshaw advises.

Talking the situation through with a colleague helped Dawn Drower, MD at Bristol-based PBS Accounting Services a few years ago when a husband and wife client of ten years asked her to represent them when they wanted to transfer their property portfolio into an offshore trust. Under the presented terms, the trustees would take over control of the properties, but the couple would be financially better off thanks to (what was at the time) a legal tax loophole.

"It was all above board back then, but HMRC have since closed that loophole," Drower explains. "Even so, I had concerns. My gut feeling was that it was financial suicide. They'd be giving their otherwise successful portfolio to a trust who would have sole control. What if the

firm's trustees weren't as honest as they should be? They'd be in another country, miles away, so if the firm decided to change the rules and lost property, my client wouldn't be able to do anything."

Drower decided to bring a trusted colleague to a meeting between the client and a representative of the offshore trust firm, and it helped crystallise her concerns – they both advised against the move. Ultimately, the client decided to go ahead regardless, and appointed a different firm of accountants. But Drower says she doesn't regret her decision. "We had a very well-established relationship so it felt really sad," she admits. "But I just didn't feel comfortable going ahead. If I had acted for them and something had gone wrong, they'd have rightly wondered why I hadn't warned them of the issues beforehand. Luckily, it was a very amicable parting and they said they respected my honesty." ■

the hour. "It's not easy being the one to stand out from the crowd and that can put people off," she explains. "Bad culture breeds bad behaviour, so it's around creating a less toxic environment altogether."

TALK IT THROUGH

In the same vein, being able to talk things through with another colleague or line manager to "sense check" an issue can really help. It's infinitely more preferable than having to cover up your actions completely. "Once you start having to cover up, you get locked into a web of lies and

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