



ETHICS IN PRACTICE SCENARIOS

STUDENT GUIDE



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INTRODUCTION

Every six months during the course of your training agreement you are required to attend a review meeting with your QPRT, Counsellor or ATP. This is a mandatory part of the qualification.

The meetings must include a discussion of your learning and progress in relation to ethics.

At each review meeting you need to:

- discuss your progress in the Ethics Learning Programme including progress through the modules, the progress tests and the full assessment; and
- discuss an ethical scenario from the Ethics in Practice scenarios; and
- discuss a real-life ethical situation; and
- update your training file by adding an 'ethics review' to record your progress through the Ethics Learning Programme and confirm that ethical discussions were held on a scenario and a real-life situation.

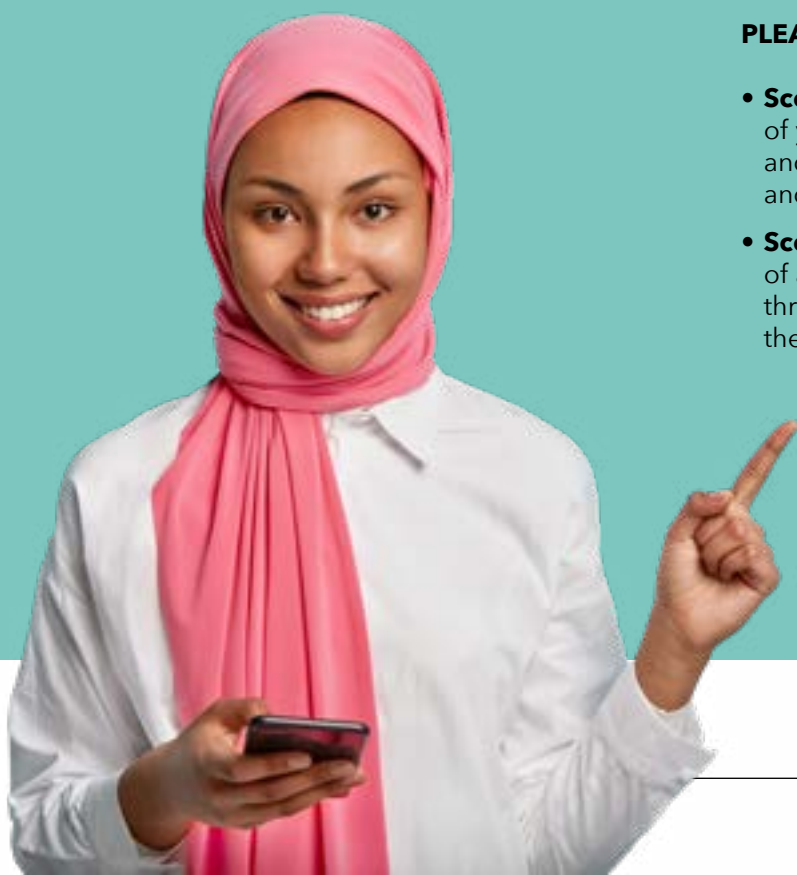
There is a bank of 18 Ethics in Practice scenarios for use during the meetings.

Scenarios 1 to 6 relate directly to the modules of the Ethics Learning Programme. Each scenario relates to one of the modules. You should use these for discussions in the meetings held during the first year of your training agreement, while you are studying the Ethics Learning Programme.

Scenarios 7 to 18 are for discussion at meetings after the first year of your training agreement. These build in complexity and you will find them more challenging. They may cover a range of ethical dilemmas and some are set in specialist environments, for example charities or financial services. The scenarios will reflect the increase in responsibility that you will have at work as you progress through your training agreement.

PLEASE NOTE

- **Scenarios 7 to 12** - for completion in year 2 of your training agreement (scenarios 10, 11 and 12 are more complex than scenarios 7, 8 and 9)
- **Scenarios 13 to 18** - for completion in year 3 of a training agreement (or beyond). The final three scenarios are more challenging than the first three in this group



HOW TO USE THE SCENARIOS

You need to prepare three scenarios for each six-monthly review meeting working sequentially through the collection. At each six-monthly review meeting your QPRT, Counsellor or ATP will choose the scenario(s) for discussion.

Read the scenario(s) and consider:

- what are the ethical principles at stake?
- what are the ethical issues to consider?
- what action would you take to solve the problem?

Remember that at the meeting you will have a discussion around the situation, including the benefits and disadvantages of various courses of action; you will not just be repeating a pre-prepared answer.

You may find it helpful to print out and annotate the scenario(s) before the meeting.



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MODULE 1 - ETHICS, STAKEHOLDERS AND CULTURE

CULTURE

You were delighted to gain a role at a prestigious firm of accountants. You have been on excellent initial training programmes. Now you are on your first audit. One of the first steps is a briefing meeting with your manager held by video call with 11 other team members. Your broadband connection keeps breaking up, so sometimes there is a slight time lag in the conversation. (You have spoken to your landlord who provides all services where you live.)

Once the audit starts at the client's premises, you feel isolated and bombarded by work programmes, timelines and progress schedules. You feel that if you fall behind you would never catch up again. The other team members seem 'super confident' outspoken people. At the client premises you find it hard to speak up. Everyone is always busy. There seems a big difference from the training courses to this real-world experience.

The company you are auditing is a manufacturer of perspex (a solid transparent plastic) products. You are auditing the inventory of screens the company produces. The company seems to have a relaxed attitude to the plastic waste it is creating, and you are a keen wildlife supporter and wonder where the scrap plastic ends up; is it in the oceans? You try one or two tentative conversations with your colleagues along these lines, but they clearly are not interested in chatting with you.



When you have completed the on-site work and are working from home filling in the rest of the programme, you have another panic when you find there are sections of the audit programme that you have not completed. You are not sure what to do. Would it be reasonable to ask one of the seniors to have a video call? You decide to telephone the senior who had seemed the most approachable. He just says, *'Has no-one told you about ghost-ticking! It's the quickest way to finish work before 10pm. Just tick off the programme anyway.'*

You tick off the audit programme.

MODULE 2 - ICAEW AND PUBLIC TRUST

PROFESSIONAL SCEPTICISM

You are part of an audit team for an international conglomerate payment processing company with offices throughout the world.

You have only been training for a year and are feeling hesitant about auditing. You can never see the bigger picture of what you are doing. The company is responsible for handling banking payments for a large percentage of people in your own country, and countless others across the world. This makes you feel proud, as you are involved in one of your firm's most prestigious audits, but also slightly concerned.

You have been allocated to the cash balances part of the audit programme. The programme emphasises that you must travel to see original verification documents that local offices will have obtained from banks in their regions. However, you are informed that due to pandemic related travel restrictions you are to carry out this work remotely. You try to speak to your manager about how you are to deal with this, however she is quick in her answers, saying things like *'Do what it takes'* and *'So long as we deliver a complete service on time and on budget.'*

Your work progresses and you find yourself on Google Maps looking up where the varied locations of the banks holding these balances are. You try to arrange some sort of secure delivery service for documents to be sent for you to view them, but that just brings about more questions: should you have them sent to your firm's office? You are only meant to be going in there for 'essential work', would this count? Surely you are not meant to have them sent to your home address.

To confuse you further, you see from last year's audit records that the verifications were sent by email. You are sceptical about whether this counts as adequate audit evidence but don't know who to ask about this. You decide it is probably OK. The client is such a household name and such a huge corporation that these balances in the bank are probably all there and anyway, what if these banks you have never heard of don't really exist! Where do you stop?!



MODULE 3 - THE ICAEW CODE OF ETHICS

CHARITY

APPLICATION OF FUNDAMENTAL PRINCIPLES

Your fellow cycling club members are delighted when you tell them you have started a training agreement to become a chartered accountant. The club is a registered charity and you agree to be nominated to be treasurer next year. You arrange with the current treasurer to look at the records. They are in a complete mess and you end up spending many evenings trying to sort them out.

Slowly you start to realise that sums of money have been disappearing with no explanation. You try asking the current treasurer about them but he brushes you off, saying, 'You know how expensive these high specification bicycles can be to run'. You try speaking to the club chairperson, saying you have got some good ideas for improving the records next year. You try to think in terms of your Ethics Learning Programme. Can you set up safeguards to deal with this problem? When you ask if you can meet face-to-face to talk things through, she brings along her husband (who in fact is going to be the new chair next year). You start to get a horrible feeling when you realise that neither of them are at all interested in you improving the records, in fact you have a suspicion that they might also be benefiting from the money that is being taken out of the club. You realise that the reason they were pleased to have you as treasurer wasn't because they wanted you to do a good job, but rather because they thought you would lend your title of trainee chartered accountant to the club's senior team giving a nice façade of good management without anything needing to change.



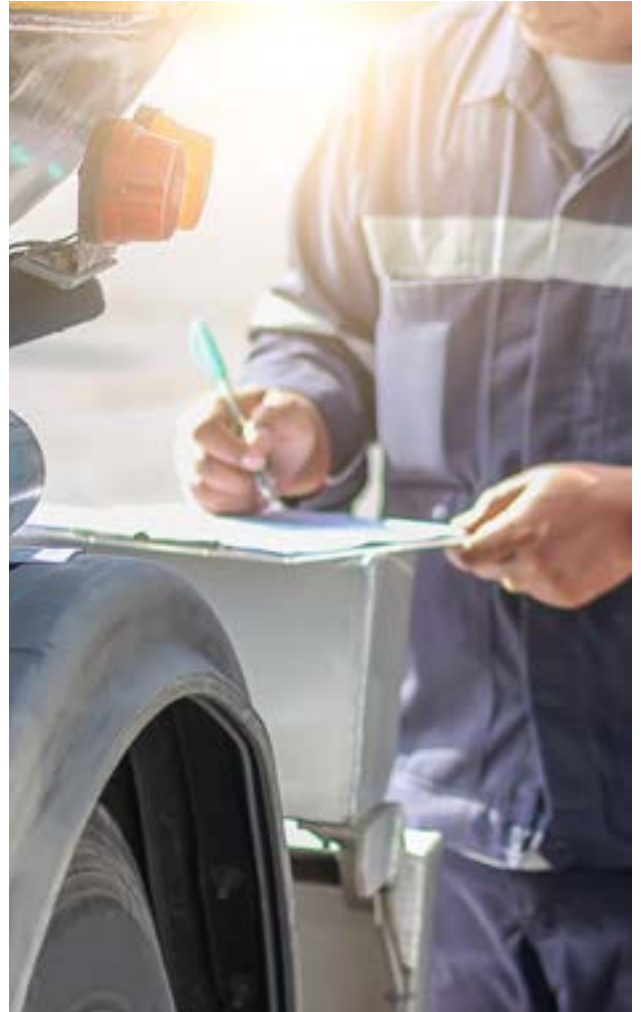
MODULE 4 - ETHICS IN BUSINESS

BUSINESS PRACTICE IN A TIME OF PANDEMIC

You work as a project accountant for a haulage company that specialises in the transportation of heavy and abnormal loads. It is a time of global pandemic when governments are balancing encouraging people back to work with protecting public health. Your company decides that administrative, as well as operational staff should now go back to the workplace.

On returning you are surprised that arrangements in the canteen seem much the same as they ever were. There is little evidence of social distancing, except a traffic lights system on the stairways (which no-one seems to obey). You see a friend who works in the company's facilities management department and you ask him about the arrangements. He admits he has been concerned that the hours budgeted for cleaning communal areas haven't been increased at all. He also says, it's not his area, but he doesn't understand how it can be that the same lorry drivers are going out when surely, they have returned from countries that you are meant to quarantine on return from.

You decide to raise these with your boss, the Finance Director (FD). She is dismissive saying, 'Finance staff can't have any impact on health and safety arrangements'. Furthermore she says she has far too much to think about with the Board meeting coming up, where she has to give a summary of how the operation of the furlough scheme (government scheme to subsidise the wages of staff not able to work) has gone and also present numbers as to the minimum and maximum numbers of redundancies that are looking likely in order to achieve a break even position.



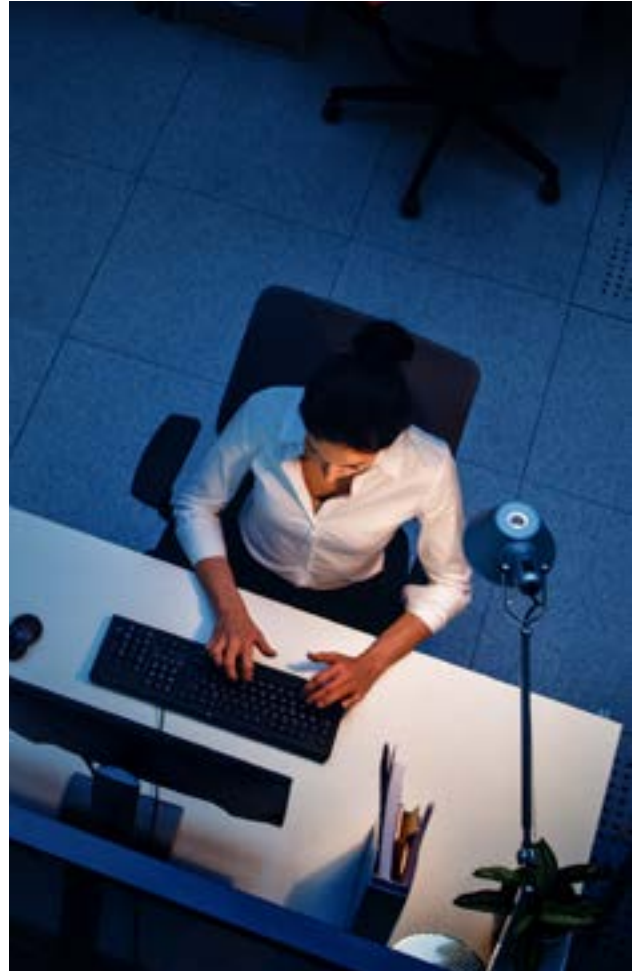
MODULE 5 - ETHICS IN PRACTICE

TAX AND ADVOCACY

You work in the tax department of an ICAEW registered firm. You are starting work on an assignment which is part of the tax compliance services for a client. You see from the permanent file that the client is also an audit client of your firm.

You begin the preliminary schedules for the corporation tax return, and you find you have several issues you don't understand. The company makes a large number of sales over the internet. There seems to be a disproportionately high number of transactions going through in different jurisdictions in the early hours of the morning. Plus, you can see various journal entries that have narrative saying the place of supply is somewhere you know to be an offshore tax haven. The sundry expenses ledger seems to have some very small items with the narrative of just 'petty cash'. You are not sure whether further narrative is required and whether these are too small to bother your manager with. After emailing your manager, he telephones you in response and says why don't the two of you have a face-to-face meeting with the client.

You look forward to the meeting as it will be really good experience. However, once there, the client is very demanding, and it turns out they want assistance from the firm in discussions with the tax authority. There is a disputed treatment with the tax authority.



MODULE 6 - ETHICS IN A TRANSFORMING WORLD

GREEN WASHING

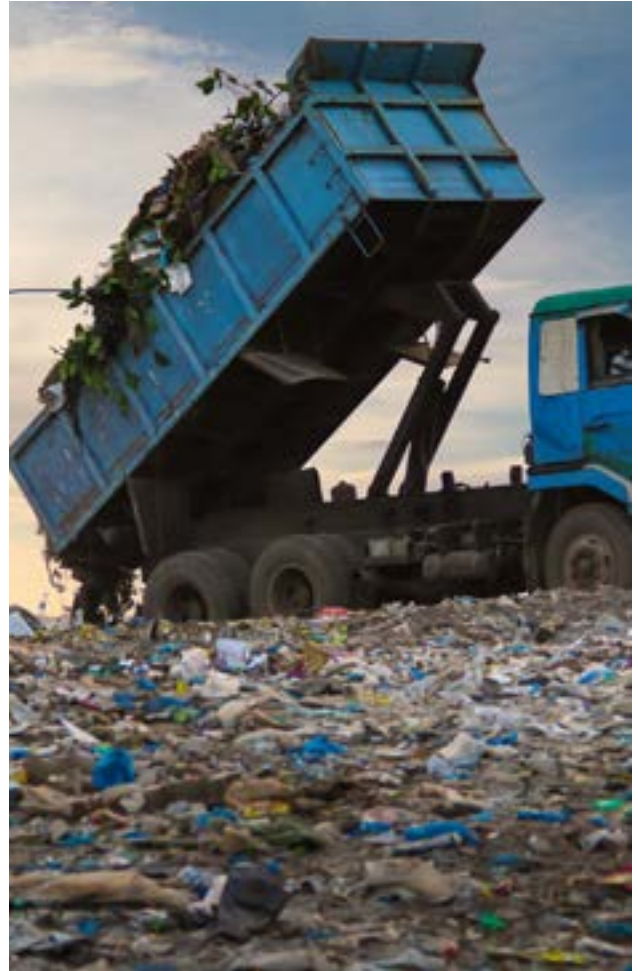
You work as an associate in business development for a large management advisory company. The company has a strong brand and lists many green credentials in proposals and pitches for new clients. The management have made a commitment to net zero carbon emissions and describe the company as proud of its zero waste credentials.

You hadn't been working there for long when you started to realise that many of these green credentials are in fact 'green wash' (ie, giving the impression that the company is behaving in an environmentally-friendly manner to increase sales, when it is not doing so) and most of the company's practices are unsustainable or take no account of environmental or societal impacts.

The company's policy is to advise client companies to use the cheapest energy provider. You are expected to convey this advice. Your concern is that no-one spends any time looking into what the environmental practices of these energy providers are. When you suggest doing so, you are strongly reminded that that wouldn't be time that you could be charging to any client.

The rubbish collection points with huge colourful bins laid out in a modernist design pattern to encourage you to go there and recycle your waste at the large headquarters office where you work are a talking point among your co-workers. However, you have noticed the office waste collection vehicles. They are provided by a waste management facility company. On looking the company up, you find a host of news reports and media comment about the waste company burning waste with seeming disregard for its environmental impact.

Your employer has a policy of asking you to pitch for new business focussing on how green the company is and asks you to post on your personal social media endorsing this. The management advisory company is entering an award as 'Green advisors of the year'; the winners will be decided as those with the most posts on social media.



SCENARIO 7 - SOCIAL MEDIA

SOCIAL MEDIA

Both you and Jack are trainee ICAEW Chartered Accountants at FLT & Co., with two years' experience in audit. You are both currently auditing contract provisions for a listed construction company, Rinter plc. Jack identifies that Rinter is not recognising unavoidable future costs on a number of long-term contracts. He stays late one evening to produce a schedule of audit evidence explaining why the losses should be recognised on these contracts in the current year, in accordance with IAS 37. However, when he shows this to the audit manager, she dismisses his concerns, arguing that 'unavoidable' is something quite subjective. If the client thinks they are avoidable, then we run with that.' She even goes on to tell him to remove his concerns from the audit working papers.

You have recently become aware that Jack has been posting adverse comments on social media about the client and FLT, although he has never explicitly named either entity in his posts.

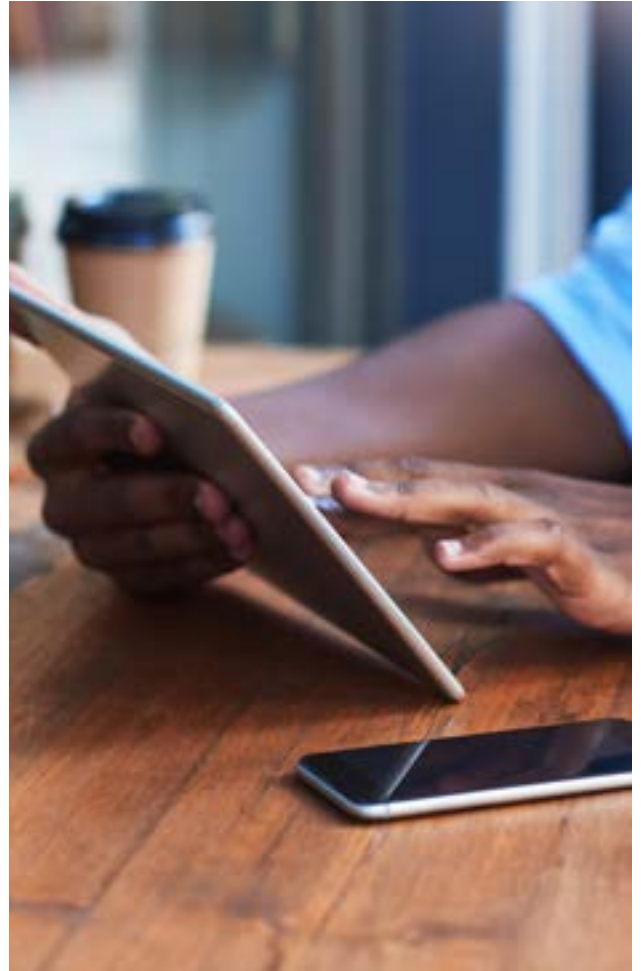
The next day you see one of Jack's posts on Facebook:

Does anyone else find it really annoying when you're not listened to by your boss? Working on the audit of a large construction company and my manager is refusing to challenge the FD when it's obvious they're not accounting for provisions correctly. It's so frustrating plus I'm starting to get a bit worried as I don't want to be implicated if there's anything untoward going on - anyone got any advice?

You also notice a follow up Facebook post made by Jack as follows:

I work for an audit firm, but I think it is unethical and I want to leave. I am working on the audit of a construction company and the audit partner is terrified to challenge the FD over the draft accounts. The audit manager is terrified of the partner, so she won't do anything. They both seem to want to make any excuse, so they do not have to modify the audit report. I really don't want to be associated with this client when a scandal emerges - it's going to be another Carillion. I need to speak out now.

In a private conversation Jack said to you recently 'I feel strongly about the matters I am raising in my posts, but I will be able to say much more after I leave FLT. However, I would like your advice on what I should do now.'



SCENARIO 8 - CONFLICT OF INTEREST

CONFLICT OF INTEREST

You work for a small firm of chartered accountants and are carrying out work for a client who operates a wedding services business. It is run by Gareth and Mia, husband and wife directors who are equal shareholders. Your firm's partner, whose client it is, flatters you by saying they think you will be able to handle the whole accounts and taxation job. You are hesitant and would have liked some supervision. You have an exploratory look in the folder with the client's files and find some of your firm's records confusing. Your firm provides advice for the directors regarding their personal tax as well as for the company, but there seems to be only one Client Acceptance document and Engagement Letter. You are not sure whether there should be separate versions of these sorts of things. You have future ambitions to set up your own practice and want to ensure you are clear on proper procedures.

Your first task is to go on a visit to the client. The partner has forwarded an email saying they would like to decide on the dividend payment for the year at the meeting. When you arrive, you are met by Mia who suggests you conduct the meeting in a coffee shop nearby. It becomes apparent Gareth isn't going to be attending. You wonder whether discussions on the company's dividends can take place without Gareth there. It soon becomes clear that they have separated. Mia says they want to split the business and asks you to explain what this would mean for the business. You find the meeting awkward because Mia also says a lot of derogatory things about Gareth and how he doesn't split car-related expenses equitably between the business and his personal use and never keeps his mileage records properly.

On returning to your office, you realise you must have left your work laptop in the coffee shop. You telephone and the person answering promises to go and look and ring you straight back. You wait for what seems like an eternity. In the meantime you check your emails on your phone and find there is one there from Gareth, saying he is sorry he missed you and would you let your partner know that he would of course like your firm to continue acting for him after the imminent divorce which he understands you know about. You realise you don't know what should happen here. Can your firm continue to act for both Mia and Gareth?



SCENARIO 9 - ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

You work in the environmental, social and governance (ESG) reporting department of a firm of ICAEW Chartered Accountants. Your firm has recently signed up to reporting under a new framework of metrics. These cover issues ranging from carbon emissions to social factors and governance targets.

Your department is struggling with trying to keep its ongoing assignments going at the same time as researching the new framework. One problem has been over social metrics which it is found have been harder to measure with precision. You can also see that some companies that adopt specific social policies can end up appearing stronger than other companies that by the nature of their strategy can deliver social impact.

Another problem has been ensuring there is a staff knowledge base in all the areas. There has been a big recruitment drive for staff with a STEM (science, technology, engineering and mathematics) background. One of the recent recruits to the department is Jane. Jane has a degree in Natural Sciences and has been a real asset with regard to the emissions reporting.

You are currently the senior on an engagement for a cement manufacturing client. Jane reports to you on this assignment. The company has introduced a new manufacturing technology. Your assignment is to provide assurance on its claims that this technology can cut emissions by more than two-thirds. The technology does not use natural resources and importantly does not involve use of the high temperature kilns.

You are called to meet with the engagement partner on the assignment. The partner informs you that the CEO of the company has made a complaint that he himself heard Jane chatting informally by one of the coffee stations with a member of the company's accounting staff, saying that she didn't really believe the CO₂ emissions reduction that the company was claiming. He is demanding that Jane be removed from the assignment and threatening that the company might start looking for an alternative assurance firm.

You speak to Jane after the meeting. Jane tells you that she has seen board minutes in which the operations director admitted that she has doubts about the effectiveness of the new technology.



SCENARIO 9 - ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

BANKING

You are an audit senior on the final audit visit of a large UK bank with a premium listing on the London Stock Exchange. It has a 31 December year end. It's the first year for which your firm is auditor, having won a tender initiated by the maximum auditor tenure requirements for public interest entities (PIEs). The bank's policy is to announce its preliminary results before the end of February and all audit work needs to be completed by that date.

You were pleased to have been selected as this is a prestigious new audit client for your firm, a household name and you even have your own bank account with them. At the initial planning meeting the engagement partner mentioned that this was an excellent career opportunity for everyone in the audit team and that it was important for the first year of the audit to go really well.

You have the responsibility for coordinating the audit of the bank's proprietary trading and structured finance operations. This includes valuation of financial instruments held in the bank's trading book. These include over the counter (OTC) derivative positions which have been valued by the bank using sophisticated derivative pricing models. A derivative valuation specialist has been engaged as an auditor's expert to assist in obtaining sufficient appropriate evidence. You have always found derivatives a challenging area and are glad that an expert has been employed to cover this area. As he is an expert, you have accepted his conclusion that all derivative positions are valued appropriately.



The bank's structured finance department sets up special purpose vehicles (SPVs) as part of asset securitisations. You have identified that several of these entities have not been consolidated. You wish to review the structure of all non-consolidated SPVs to confirm that they don't require consolidation under the provisions of IFRS 10. You discuss this issue with the head of the structured lending team and ask for details of the relevant SPV structures. He is a very forceful individual and tells you that he doesn't understand why you need this information, that the previous auditors have reviewed these and so he does not understand why you are wasting everyone's time on the matter. He is reluctant to provide the information and adds that if this information was required it should have been requested during the interim audit.

To make matters worse, you also don't know how to proceed with regard to the following matter: a female member of your team has come to you to complain about the manner in which she has been treated when making enquiries regarding the valuation of equity positions. She states that she has had to suffer 'a barrage of micro-aggressions' including being frequently addressed in patronising and sexist terms by the bank's staff. She tells you that she has frequently described how difficult she finds the environment at the bank on her social media accounts and many people have advised her that she shouldn't put up with a toxic work environment. You are unsure how to proceed.

SCENARIO 11 - STAFF SURVEILLANCE

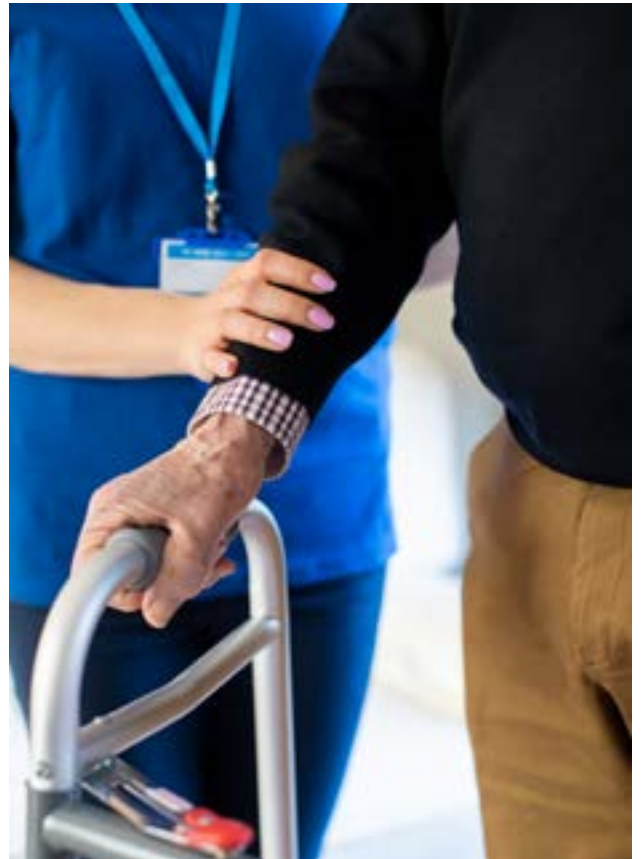
STAFF SURVEILLANCE

You are a manager at a services support company. The division you are in charge of provides payroll services for a healthcare provider, Westerncare.

Westerncare's staff don't tend to work a fixed number of hours per month. Most work overtime according to business needs. Employees log any additional hours on an overtime request form; this is then signed by their manager and sent to your team to process. There have been various issues with this system in recent years...

You are due to attend a meeting with some of Westerncare's directors. An agenda item is the possible introduction of electronic staff-tracking lanyards (a cord worn round the neck to hold an identity card) or badges (that would pin on to employees' uniforms). These staff tracking devices would be swiped by staff when they start and end their shift and the data sent to your team to calculate each employee's pay for the month.

Before the meeting, Westerncare's finance director (FD), an ICAEW member like yourself, telephones you with his concerns about the lanyards. He thinks there is a safety risk for staff doing physical work. He knows the forecasts show electronic lanyards are much cheaper than electronic badges. However, he is considering not revealing this to his fellow directors. He tells you that Westerncare's operations director is a major shareholder in one of the companies being considered to supply the lanyards. He asks you if there are any conflict of interest rules which would prevent that company from becoming a lanyard supplier.



At the meeting, a director is concerned about staff who forget to swipe the lanyard. The other directors argue that this is the individual's own responsibility and as they won't be able to go through the newly fitted automated doorways without the device, it shouldn't happen too much. One of the directors comments to you that it would be extremely surprising if staff could actually work out the detail of their hours anyway, as there are various formulas for the calculation of overtime - e.g., if working an evening, weekend or national holiday. When you get back to your own office, one of your directors is keen to talk to you. She asks your opinion on the use of surveillance technology in your own company. There is a proposal that surveillance software should be installed on all staff computers to monitor work activity. She thinks that benefits will include seeing who the most efficient accounting staff are and trusting more staff to work at home. You know your company is trying to reduce the cost of office space. You have concerns about your own staff's welfare if they can no longer work at the office. An office rule says that anyone dealing with a third party's pay details must carry out this work from office premises. However, it now seems this is being disregarded in favour of cost-cutting.

SCENARIO 12 - MODERN SLAVERY

MODERN SLAVERY

You are working as an associate on the audit of a large food and consumer goods company with complex supply chains.

Whilst reviewing the internal controls system relating to purchases for the company's food division, you are told by a member of staff in the procurement department that an NGO (non-governmental organisation) has reported to the company that it had uncovered evidence of working conditions in an overseas division of the company that could be modern slavery. This occurred during the last financial year, but the staff member believes that no action has been taken by the company to investigate the report.

The staff member has not reported their knowledge to any member of the company's management team, as they say they fear they will lose their job for speaking out. You speak to the audit manager about this. The manager just says that you should try and encourage the staff member to speak out if they are concerned.

You read the Section 54 statement¹ for the previous year and see that it makes no reference to the NGO's concerns or whether the company has investigated it, or what remedial action it has deemed necessary, if any. You believe that this indicates that the company is not in compliance with the Modern Slavery Act requirements. You again speak to the audit manager, raising the fact that you are concerned that the company's Section 54 statement might be inaccurate. The manager says the statement is not part of the financial statements, it is not relevant to the audit so there is no need to follow this up.



You have a look at the NGO's website but cannot find any reference to accusations of misconduct against the company, and are unsure what to do.

¹ Section 54 of the Modern Slavery Act 2015 (the Act) requires certain organisations to produce a slavery and human trafficking statement each year.

SCENARIO 13 - MACHINE LEARNING

MACHINE LEARNING

You are an ICAEW Chartered Accountant working as a consultant in a machine learning advisory company which specialises in agriculture. Your client list comprises agricultural laboratories and large-scale farms. Your boyfriend, who works for a micro-finance charity, often makes comments about the high prices companies like yours charge and the 'millions of small-scale farmers across the globe who can't afford your products'. You don't like to admit it but you do have a slight dilemma about this yourself. Smart farming involves the use of algorithms to drive efficiency. Your own specialism is presenting the financial savings related to this.

Yield prediction is in increasing demand. You have often heard your computer analyst colleagues explaining the technology, and you trust their word that these are well defined models, but they seem almost magic to you. You like the reassurance of working on a spreadsheet or a calculator and directly seeing how inputs affect outputs. Economic conditions are even factored in.

Your boyfriend shares your concerns, saying, *'How do you know what you are selling people will turn out to be correct? Particularly when you are showing them 5 and 10 year forward plans. You will probably be long gone from your role by then.'* You must admit you would be happier if you could understand the uncertainties in the predictions. The analysts have given you some details on them, but would it really be helpful to share them with the clients? They would probably understand them even less than you.



Your advice to clients inevitably involves both showcasing and sometimes specifically recommending certain software and hardware. These are supplied by separate, unrelated companies. However, your company earns a percentage fee for any of your clients who you put in direct touch with suppliers. You always feel slightly uneasy about this, wondering whether there is a conflict of interest and whether the fee arrangement should be in place. The fact that your company earns this commission is made clear to your clients.

One of the latest packages that you are advising farming businesses on is species selection and weed/disease identification. Deep learning algorithms take data from satellites and drones and analyse crop performance in relation to local climate patterns and soil nutrients. Farms can be advised to run these programmes in such a way that their own live-time data is constantly fed in, advising them of optimum planting combinations for forthcoming seasons. On advising the clients you produce histograms and other financial presentations to convince the enterprises of the benefits of operating in this way. These include optimum water utilisation and minimum waste. You feel as though these ends justify the use of the technology in themselves leading to sustainability gains. Sometimes when the financial result isn't totally clear-cut you are aware you are slightly 'creative' in order to encourage environmental best practice.

SCENARIO 14 - ACCOUNTING FOR REVENUE

ACCOUNTING FOR REVENUE

You are the European financial controller for S plc, a large listed software supplier. S provides applications, and implementation and training services to healthcare providers. You are responsible for the finance function and for the monthly management accounts and are the principal point of contact for the auditors.

In 20X1 S plc is approved as a supplier by a health authority (SHA) for a multi-agency Hospital Information System procurement process. The contract is potentially an extremely profitable one for S plc. You are uncertain whether you will be able to include it in the interim results; you know it would be highly material. Complex negotiations in respect of the services to be provided are taking place.

Eventually a draft contract with SHA is produced. You meet with the FD, who you report to. He tells you the formality of ministerial approval is imminent. He also shares with you that he is suffering from depression and has now sought medical advice. He is highly stressed by discussions that are also taking place with regard to a merger with T Group.

Your boss instructs you to recognise the £20m licence fee revenue from the contract and has advised you not to disclose to the auditors the fact that the contract has not yet been signed by SHA.



Negotiations are also underway for the sale of cash flows receivable from the contract to an Asset Finance company (AF). A letter from AF agreeing to the arrangement is received. Although no funding has actually been received, you authorise the £15m to be posted in S plc's books as cash received. The auditors ask you for evidence supporting the AF cash. You supply the letter AF had sent. The half-year results are approved and published.

At the full year end the auditors ask further about the SHA contract. You know that the situation is still pending. You agree with the FD to relabel an amount of cash received from a genuine customer and show it as from the SHA contract in order to satisfy the auditors.

By the 20X2 year end the FD has gone off on sick leave. The T Group merger is now looking likely and their auditors are carrying out due diligence on S plc. You are asked to sign off their report which includes historical financial results.

Eventually during the year to 20X3 the SHA contract is finally signed. When the actual funding for the SHA contract is received, you explain this to the auditors as funding being unwound and replaced with a new funding arrangement. Later that year the stress is getting too much for you and you contact the auditors to say you would like to explain the whole situation.

SCENARIO 15 - QUALIFYING AND JOB HUNTING

QUALIFYING AND JOB HUNTING

Two weeks ago, you received the fantastic news that you had passed all your Advanced Level ACA exams. The financial accountant at the audit client where you were working, on being told your news, came back an hour later with an enormous bouquet of flowers to congratulate you. You then went straight to the gym near your home after work before celebrating your success. At the gym you happened to be next to an old school friend. You told them about the financial accountant and went on to chat about your audit team colleagues too and how nice the audit partner is.

The next day you proudly changed your profile on your social media sites to add 'ACA Chartered Accountant' in bold letters. At the weekend, you receive a message from a fellow trainee saying, *'Noticed your profile change on LinkedIn. Do you realise you shouldn't put that title yet? You need to formally apply for membership with ICAEW before you can call yourself an ACA'. This colleague has been really helpful as a 'study buddy'. You message back saying, 'Ever the perfect auditor! You are a rule-follower extraordinaire! However, I really don't think ICAEW are going to be worried about this, it's only a case of admin from now on! By the way, are you being bombarded by recruitment people? Every time I look at my work emails there has been a flood of approaches come in. I can hardly get any work done for being distracted at looking at what they are offering.'*



You have really enjoyed your time at your firm. Your training has been excellent. However, having chosen the audit route four years ago, without having really understood what audit was, you are ready for something different. You are starting to spend lots of time during your working day searching through new opportunities. You keep not being able to re-find adverts that you might be interested in, so decide that since you are working in the office at the moment, the best thing is just to print off anything you are interested in and keep them in a 'job hunt' cardboard folder.

You see a position with a film company; production accountant. This is the exciting sort of role you would like. The advertisement says, *'Candidates with sector experience are sought'. You did once get called in to help on some audit analysis work for a media company. It was really just putting together a simple spreadsheet. You contact the relevant recruitment consultant, who tells you to 'be creative' when tailoring your CV. You describe yourself as having, 'a sound basis of knowledge in the arts and media sector'.*

The other thought that starts to run through your head is that, while on one of your assignments, when you chatted about what you might do once qualified, the client said to get back in touch if you ever 'go it alone'. They had a quite separate small business that they could do with some freelance help on from someone with accountancy skills...maybe this could be interesting...

SCENARIO 16 - DIVERSITY

DIVERSITY

You are an audit manager in a large firm of chartered accountants. One of the trainees in your team has asked if they could have a meeting with you. At the meeting the trainee tells you that they are wondering why they never get assigned to audit certain high-profile Government Agencies or Royal Charities. The trainee says they are seeking your advice because they have raised this with their People Manager, who is responsible for audit scheduling. The People Manager said that due to the profile of these clients the audit team members require the highest level of security clearance to be assigned to the client, and that the trainee probably didn't have the right immigration status to be allowed access to those clients. The trainee is clearly unsettled by this. It is not at all true. The trainee simply has a heritage that is non-white. The trainee pointed out to the People Manager that they were born in the UK and raised in the UK. This conversation with the People Manager took place six months ago and the trainee can see that there has been no effort made to redress this scheduling of audit work. You tell the trainee you will look into this and get back to them.

Your firm frequently makes statements that it makes every effort to promote diversity. You take it upon yourself to investigate further. This ends up taking a lot more time than you had expected, which brings your own dilemmas as you have a number of audit work responsibilities that are at a crucial stage. Initially you try emailing the head of diversity, however you get a rather generic response that the individual themselves would need to come forward on this and it wouldn't be appropriate for them to enter into an email correspondence that seems to be critical of a member of staff.



You decide to take the matter into your own hands, which involves you persuading various staff members to let you see records of the audit personnel assigned to jobs. You are not certain whether they are breaking any confidentiality rules in showing you, but you feel someone has to make a stand on this. You try speaking to Human Resources (HR), explaining to them what you are researching, and asking if they could give you any sort of listing of staff with some sort of indication as to ethnicity. Again, you cannot obtain the information. You are told this information cannot possibly be disclosed. You ask if HR would like to carry out the research, but you just get told the names of various initiatives that they are already involved with that are related to promoting diversity in the firm. You decide you will have to resort to carrying out an analysis based on whether a name sounds to be of a BAME (Black, Asian or ethnic minority) origin. You are rather concerned as to what timesheet code you can allocate the work to but press ahead with the project regardless.

SCENARIO 17 - DIRECTOR'S LOAN ACCOUNT

DIRECTOR'S LOAN ACCOUNT

You were delighted when invited to join a property development company as finance director. The company is owned by a family who your own family have been friends with for several years. You are in charge of the small accounting team. You soon become concerned about the record keeping. Expenditure of a general nature is just split against all the properties with no attempt to properly allocate it. You wonder whether the staff are competent at their jobs but you are unsure how to deal with this.

Approaching the financial year end there is a charge in the accounts for a replacement of a roof. You can see this is for the managing director's (MD) private residence. The bookkeeper tells you the transaction was going to be posted to the director's loan account, but the MD instructed that it be included as business expenditure. The MD is the majority shareholder. The other family member shareholders are not aware of the transaction in the accounts and are not actively involved in the business.

You have discussions with the MD advising that the transaction is not an allowable expense. But he refuses to accept this. The MD is your employer and you are concerned about job security. You anticipate that the transaction will be identified by the external auditors, but this doesn't happen. You don't feel you can discuss this with anybody else in the business. Despite the pressure you are put under, you refuse to approve the statutory accounts. That issue gets resolved, it is correctly treated and disclosed and then you do sign. However, the MD continues to have a slightly hostile attitude to you now, and you have lost your trust in the way the company operates.



It is now four months later, and you decide to resign from your position. You are concerned about what you will say to future potential employers about your reasons for leaving your current job, and what references you will be given for this role. You also have a nagging feeling that you ought to have done something about the auditors who you didn't feel were performing a competent task, as they did not pick up the charge, and were fellow accounting professionals.

SCENARIO 18 - GOING CONCERN

GOING CONCERN

You are the head of management accounting at a large travel and rental company. The company's key activity is renting out everything from private jets to small electric cars for use in urban areas. It also has an extensive group of subsidiary companies. Some of these companies are the owners of the assets that the parent company rents out.

As an ICAEW Chartered Accountant you take a keen interest in your company's published accounts. You will be having lunch with the head of financial accounting (also a qualified accountant) and so that you are well prepared you take a look over the most recent published financial statements. One thing you want to explore with him is why published accounts have to be so long, with hundreds of pages of disclosures.

When you look you find that, in the current year, your company has lent almost £100 million cash to its subsidiaries and has received a similar sized dividend back from them. The dividend ends up in profit and distributable reserves, and means that your company is able to pay a large dividend to its shareholders, despite a loss-making year. When you take a closer look at the subsidiaries' financial statements, it is clear that, while profitable, none has an excess of cash and a number have significant outstanding bank loan liabilities.

At your lunch meeting, your colleague acknowledges the circular nature of these transactions, adding, *'What is good news is that as a result the parent company dividends can still be paid out.'* As a shareholder yourself you feel slightly conflicted about this. It is good news from a personal perspective, but should the company be paying out, particularly when you can also see there are a number of long-term loans as well?



You can see some familiar faces from the external audit team in the canteen at the same time. You know they want to come and talk to you about the increasing trend for all the variances your department produces to be adverse. One of your team has let you know that a junior audit team member had raised this. They would like to discuss with you whether this suggests your team are not particularly competent at producing variances. Your team member had reassured them that the company had an optimistic outlook. You admit to yourself you are actually wondering whether it is a rather too optimistic company culture. At the end of your lunch meeting the head of financial accounting had headed off saying, *'Wish me luck, I've got to fend off an over-zealous audit partner who wants further written statements to back up the going concern assumption.'*

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 202,450 members and students around the world. All of the top 100 global brands employ ICAEW Chartered Accountants.*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

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* includes parent companies. Source: ICAEW member data March 2023, Interbrand, Best Global Brands 2022