

AAT ethics guidance note

Ethics and regulations

Please note – this document and its contents are for guidance only and do not form part of the AAT *Code of Professional Ethics*. They are designed to provide further information on particular topics of interest that may not be covered in detail within the *Code*. Nonetheless, they do provide insight on best practice and may be used in conjunction with the *Code* when considering matters relating to disciplinary breaches.

Why is it an ethical issue?

Failure to adhere to compliance has a devastating effect on multiple stakeholders including investors (fines), employees (losing jobs), consumers and suppliers. The limited liability of so many businesses has been exploited and abused. Adherence to requirements is therefore absolutely an ethical issue for professionals as ambassadors for compliance.

In a world of increasing transparency, to build trust, protect reputation and attract talent, on an individual and organisational level we are required to report on how requirements are met through annual reports and this is likely to increase in the future.

Behind the majority of regulations is an attempt to prevent activity and behaviours that are at odds with the public good. For instance, tax evasion deprives the Treasury of income – income that funds our health and education services. Anti-money laundering legislation is designed to combat socially destructive criminality such as human trafficking and modern slavery. Audit and environmental, social and governance (ESG) reporting requirements ensure that investment and public monies are protected. Professional body regulations are developed to ensure that your clients, employers, employees, and the general public know that they will be treated fairly, responsibly and with expertise. Rather than approaching requirements as a burden it is helpful to role model recognition that they help us live in the type of world we all want to live in.

You may be subject to a variety of 'Codes' across your professional membership body, employer, and or wider organisation. *Codes of conduct* may set out more specific actionable requirements and *Codes of ethics* may set out more aspirational behaviours. However, as a professional regardless of how an expectation has been codified, you are expected to adhere to both equally and demonstrate and role model more than just ticking boxes. An approach to compliance of doing more than just the minimum, helps connect ethics to compliance for your colleagues and employees, protecting them and the organisation.

Business benefits

A badge of excellence

Perhaps the most obvious business benefit of ensuring regulatory compliance is ensuring you keep your professional membership. Belonging to a professional body demonstrates not only that you have the necessary qualifications, but that you are bound by specific codes of ethics and conduct, CPD requirements and support systems for both you and your clients. All of these factors place you ahead of the unregulated sector in the eyes of current and potential clients and engender trust in you and your organisation's brand. As a professional, you should strive to be doing more than the minimum

compliance and in fact adhering to legal and regulatory requirements should not even be up for debate.

Business development

Staying up to date with laws and regulations not only keeps you current, but helps you to understand your sector better, identifying the emerging trends and hot topics. A wide level of sectoral understanding allows you to tailor your learning in the most effective way, offering advice and services which set you apart from your competitors, rather than playing catch up when the rest of the industry is already in position.

Championing ethics

Showing that you not only comply with the letter of the law, but understand (and support) the spirit too, demonstrates a proactive approach to ethical practise. It's becoming increasingly clear that clients and employees expect this from and will be more loyal to those they work with.

Risk mitigation and future proofing

Avoiding fines, penalties or disqualification from certain categories of business; reputational damage; brand damage; investigations; prosecution and imprisonment.

Consequences

Individual and corporate criminal convictions or imprisonment; fines; penalties; investigations; disqualification; loss of jobs; reputational damage; loss of shareholder value and or market share; failure and closure of the business; detriment to lives.

Key areas

There are many and varied areas of business where regulatory compliance is important, but in the experience of AAT the key ones which affect the day to day activities of our members are:

Data privacy (see accompanying guide to digital ethics).

- [Anti-Money Laundering Regulations](#)
- [Climate related financial reporting](#)
- [ESG \(Environmental, social and governance\)](#)
- [Health and safety](#)
- [AAT Licensing Regulations](#)

What can/should I do?

First things first – are you compliant? With the best will in the world it can be hard to keep up in a fast-changing regulatory environment, but ignorance is no defence, particularly when it comes to legal obligations. Your professional body will be keeping tabs on all relevant changes and providing

guidance accordingly, but it is vitally important that you set aside time on a regular basis to check those resources. After all, CPD is not only a requirement, but also a driver of excellence.

Try to bring compliance to life in your organisation. Rather than see legal, regulatory and compliance requirements as a set of rules, identify scenarios in your working life that apply to the situations addressed in the requirements. Perhaps you could develop a case study for others to learn from. Make time to discuss requirements with clients and educate them. This can be useful at the outset of a client relationship to manage expectations.

Connect compliance to the values of the organisation. Ensure that colleagues and employees understand 'their part'.

Regularly review procedures to ensure they are fit for purpose, asking the following:

- appropriateness
- effectiveness
- efficiency
- alternatives.

Take swift action when individuals fail, remember the risk of vicarious liability and criminal proceedings against both individuals and the organisation.

Create an environment where mistakes and breaches can be declared without fear to ensure that there is no deception.

Checklist

1. Understand all compliance requirements and ensure that your CPD plans incorporate regularly getting up to speed to this ever-changing area. Do bear in mind that as a professional, you're expected to understand requirements outside of your current role and organisation.
2. Regularly read your organisation's compliance policies to ensure that you can effectively execute requirements in the moment. This includes ensuring that requirements are outlined to all new employees during their induction.
3. It can be helpful to 'map' out requirements in order to identify how they will be met and establish who is responsible for each requirement in your organisation. This can also be helpful in checking that compliance requirements are being met in the best way possible.
4. What are the barriers that are impeding compliance with regulatory and compliance requirements? Such conflicts and how to resolve them should be discussed with:
 - your line manager or supervisor
 - as a group in your department
 - across the organisation
 - with clients?

5. Add the barriers that have been identified to your risk register.

6. Remember that people see things differently and their interpretation of morals and expectations can vary greatly. This difference can be vast across international territories. Agree with colleagues and provide staff with a decision-making framework and case studies or example dilemmas to guide colleagues when faced with a conflict or barrier. It can be helpful to identify the principles that should be used in decision making and in day to day practice.

7. Develop a 'jargon buster' to ensure that everyone across the organisation applies a uniform meaning.

8. As abstract, bizarre and alien to your organisation as the following terms may sound, they could be a checklist or terminology to be used on your risk register:
Abuse of power; corruption; bribery; scandals; sexual misconduct; false accounting; economic collapse and financial collapse; mistreatment of employees; cover ups; money laundering; misreporting; poor governance; tax evasion; data mismanagement; modern slavery; illegal; corporate manslaughter; corporate homicide; theft; non-disclosure agreements; conflicts of interest.

9. Ensure that the procedures in the organisation would be deemed adequate by regulators. This can be ascertained through legal advice, internal audits and working with regulators and professional bodies.

10. Ensure that organisation communications to staff and stakeholders reinforce the expectation of doing more than just following rules and set the standard to be that of each individual understanding their role and applying an ethical approach that is in keeping with the organisation's values. (Think of the Milgram experiments.)

Resources and further reading

AAT resources

[Anti-Money Laundering](#) (behind login)

[AAT Comment](#)

[AAT Knowledge Hub](#) (behind login)

[Letters of engagement inc. data privacy](#) (behind login)

Others

[Bribery Act](#)

[Organisation for Economic Co-operation and Development](#)

[Transparency International](#)

Paid for resources

[Conduct Risk Management](#)

[The Business Guide to Compliance and Ethics](#)

[BSI – Compliance and ethics metrics](#)

[BSI – Anti-bribery management systems](#)

[BSI – Implementing procurement fraud controls](#)

[BSI – ISO31000 Risk management](#)