

The ethical attitudes of CPAs in Hong Kong

A look at the findings from the Institute's Ethics Survey 2021

The Hong Kong Institute of CPAs' Ethics Survey is designed to gain a better understanding of the ethical attitude of professional accountants in Hong Kong and how the *Code of Ethics for Professional Accountants (Revised)* (the Code) contributes to their performance of professional activities.

The survey was initially launched in 2019, and was recently conducted between December 2021 and January 2022 with the following objectives:

- Understand the perception of the profession with regards to the relevant regulatory requirements;
- Identify areas with higher risk of ethical non-compliance;
- Understand professional accountants' familiarity with the Code; and
- Identify any other topics that warrant further outreach activities.

The survey link was distributed to all Institute members through email. Responses were anonymous to encourage open and honest input. The survey was not designed for academic purposes, but to gauge members' views on ethics for the Institute to consider to better address members' need.

Questions of the survey covered four aspects:

- View on ethics;
- Experience on ethics;
- Ethics culture at workplace; and
- Ethics-related training.

In total, the survey received 315 completed survey responses and more than 300 verbatim comments and/or answers. The respondents' views and opinions have been summarized in a survey report, which has been made available on the New and Major Standards Resource Centre of the Institute's website. We thank those of you who have taken the

time to complete the survey.

The results of the survey will be used by the Ethics Committee to inform and evolve the Institute's ethics strategy and initiatives.

This article highlights key responses to the survey. Please refer to the full report for complete findings.

View on ethics

When asked how the Code had impacted their accounting profession, the top three responses included:

- It provides guidance to enable professional accountants to meet their responsibility to act in the public interest;
- It provides guidance to assist the decision-making process of professional accountants when carrying out related activities; and
- It provides guidance to ensure activities carried out by professional accountants are of high quality.

The Code places strong emphasis on the profession's responsibility in upholding public interest. In fact, the very first sentence of the Code is "A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest." (paragraph 100.1, Chapter A of the Code)

Experience on ethics

We asked respondents if they had acted unethically at work or knew of someone acting unethically in the last 12 months.

Among the 13 percent of those who indicated that they did, the top five ethical issues identified by respondents included:

- Conflict of interest;
- Undue bias;
- Manipulation of information, including

fraudulent accounting or financial reporting; altering income, expenses etc.;

- Distorting information by being overly optimistic in making judgements on accounting estimates, discount rates, impairments, going concern etc.; and
- Relying on information that is known to be overly optimistic in making judgements on accounting estimates.

Respondents stating that they acted unethically in the last 12 months were middle management or above at their employing organizations.

This might indicate that the more senior an employee, the more likely they would act unethically or be more aware of the ethics behind an issue, possibly because of the complexity of their roles and circumstances encountered.

"Did nothing" or "Did nothing because of pressure from management" were among the top five responses to the ethical issues encountered identified by the respondents. The rest included, "Reporting to the appropriate level of management," "Resign from the employing organization," and "Reported to appropriate external parties."

Ethics culture at workplace

We observed that respondents from the public practice (i.e. CPA firms) were the most likely to consider that their workplace strongly promoted and encouraged a good ethics culture. Around 80 percent of respondents from the public practice considered that their workplace strongly promoted or encouraged a good ethics culture, compared to 69 percent of overall respondents (see Figure 1). This may be due to CPA firms' emphasis on compliance with professional standards and regulatory requirements, hence a stronger motive to develop a good ethics culture in the workplace.

Figure 1

Does your current employing organization promote and encourage a good ethics culture?

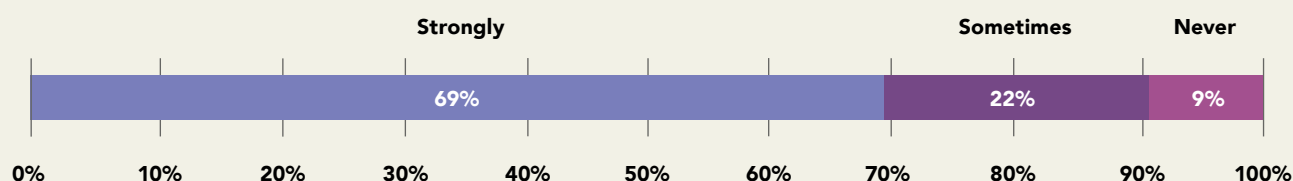
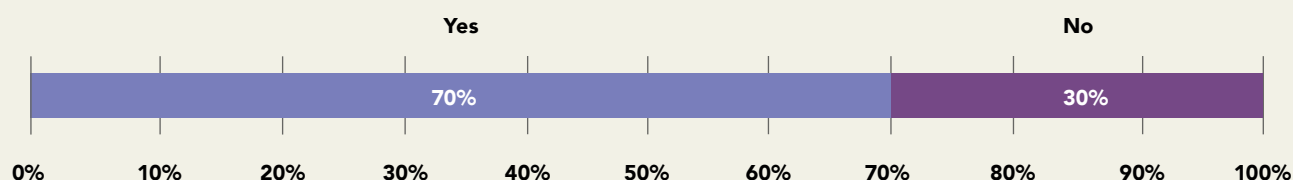


Figure 2

Do you think ethics-related training should be mandatory continuing professional development for Institute members?



Ethics-related training

As mentioned above, respondents from the public practice were more likely to display a higher ethical awareness and attitude than other respondents. We found that over half of them stated they had attended an ethics-training session within the last year, possibly due to the corresponding requirements adopted by CPA firms in general.

As illustrated in Figure 2, the survey also found that over 70 percent respondents believed ethics-related training should be included in mandatory continuing professional development for Institute members.

Conclusion and way forward

The survey results indicate that most respondents had a robust attitude to ethics, i.e. close to 90 percent of them considered ethics to be very important in the accounting profession; half of them considered their ethical awareness had strongly enhanced compared with their first year of their accounting career; 70 percent of them believed ethics-

related training should be included in mandatory continuing professional development for Institute members. As noted above, respondents from the public practice were more likely to display a higher ethical awareness and attitude than other respondents.

Survey responses also indicated that management's style plays a significant role in promoting ethics in the workplace. Respondents considered that, among others, key reasons for a good ethics culture at their employing organizations were **tone at the top, management's adherence to high ethical conduct and acting as role models for others to follow**. Meanwhile, major causes to ethical issues encountered by respondents or those they knew in the last 12 months were **pressure from management and insufficient ethical awareness at the employing organization**.

Despite the positive attitude towards ethics, less than half of all respondents undertook ethics-related training within the last year, while almost 20 percent of them did not attend any ethics-related training in the last five years. Furthermore,

around one-third of respondents reported that they were not aware of any of the revisions to the Code and their requirements in recent years.

The survey results suggest the following actions:

- Firms and employers to encourage and promote ethics culture and awareness at workplace; and strengthen their ethics and compliance policies, and monitoring procedures as counter-measures to malpractices at workplace;
- The Institute to continue the effort to raise members' awareness of updates to and requirements of the Code; and continue the provision of ethics-related trainings for professional accountants;
- Both firms/employers and the Institute to continue the communication and awareness on the "Dos" and "Don'ts" in common ethical scenarios, and consider whether ethics should be a mandatory area for training.

Read more about the ethics survey in the feature article on page 8.

This article was contributed by the Institute's Standard Setting Department.