

## Unethical Behaviours and the Adverse Affect on Business

The UK has experienced a raft of company scandals in recent years, from high profile corporate and personal tax avoidance cases, false accounting and money laundering, to mis-trading which saw stocks tumble and a fraud which nearly brought down an international bank. Once a business is known for unethical behaviours, the impact on the brand and the bottom line can be significant, with often long lasting effects both externally and internally.

With the emphasis on making money, companies often struggle to balance growth with ethical business conduct. But companies ignore the importance of managing the risks of fraud, bribery and corruption at their own peril.

In this edition of our monthly ebriefs brought to you by Jane Fowler, Managing Director of Aquila Advisory, the boutique forensic accounting company, we look at the impact unethical behaviours have on businesses and highlight some top tips for achieving ethical success and reducing risk.

### The benefits and importance of ethics in the workplace

When setting your company's policies and procedures you may not think of setting them in relation to ethical conduct - it's a given we trust our staff - but without a framework of moral and ethical expectation based on honesty and integrity in the workplace, there is a risk of reputational damage with the potential of a long term external effect. We see this frequently reported in the press.

The policies and procedures that are in place in order to set the standard expected are essential in protecting your business. And the benefits of having strong guidelines and standard expectations are wider than you might think.

#### - *Safeguarding Against Legal Threat*

In order to safeguard against legal threat it is important that there are procedural expectations of compliance with applicable laws and legal requirements. These are set out in the relevant operational procedures, such as money laundering regulations, anti-corruption and bribery. Failure to adhere to them could lead to employees, clients, even the company by association, facing criminal charges or fines. However, it is not enough just to set out the legal requirements; monitoring procedures need to ensure the legal requirements are adhered to.

#### - *Protecting Company Assets*

Strong ethical policies not only reduce the likelihood of theft, but also provide a reasonable assurance that financial statements are credible and accurate, that operations are efficient, that the company is legally compliant, and that business decisions are made based upon factual information.

#### - *Employee Morale and Performance*

The danger in allowing unethical behaviours to remain unregulated is that they can spread. If your employees see one 'getting away with it' either because they are not monitored or no sanctions are

taken, they too are more likely to let ethical standards slip. That said many employees would not breach their own ethical code, even if they see others do so, but pressure from management could be the straw that breaks the camel's back. Pressure from third parties, such as pressure from a bank to meet financial covenants, could force directors to recognise transactions they would not normally do so or fail to record a liability in the correct period. A lack of consideration for ethical protocols could cause unnecessary complications, needless delays, and negatively impact the motivation and performance of the workforce.

- *Employee Relations*

It is vital that the management structure exhibits strict adherence to ethical behaviour, as any digression can lead to a loss of respect from the workforce and, in turn, an atmosphere of distrust. Discordant working conditions can prove detrimental to not only operational norms but also, by association, efficiency and effectiveness.

- *Protecting Company Credibility*

If a company has suffered damage due to unethical behaviours a reputational recovery will not only take time, but will also require a considerable financial investment in order to restore public perception. It should be noted that even if consumer confidence is partially restored, it may never be resurrected to previous levels.

## Preventing Unethical Behaviour

The prevention of unethical behaviours will involve the implementation of protocols and procedures that acknowledge the importance of honesty and integrity, and a hiring policy that encapsulates these documented values.

The top 5 ways to incorporate and maintain the expectation of ethical behaviours into operations are:

1. *Set the tone:*

The entire hierarchy, from the top down, must comply with the company's documented ethical policies at all times in order that the company as a whole recognises the value of integrity and honesty.

2. *Clarify policies and procedures:*

Not only should there be a written clarification of expectation, workplace ethics should be a company-wide concern in order that any potential misunderstandings may be recognised and rectified.

3. *Maintain control:*

Strong internal controls are a vital safeguard, but the environment should also allow for concerns to be voiced without fear of recrimination in order for any potential policy gaps to be pre-emptively identified. The controls should incorporate a whistleblowing policy for any concerned individuals to come forward. For small companies, where employees may feel they cannot come forward, there are outside suppliers of whistleblowing helplines who will report back to the company ensuring someone's anonymity.

4. *Take immediate action:*

Should there be an issue concerning possible unethical behaviours, it is important to deal with the situation immediately in order to reinforce expectation.

5. *Implement an assessment routine:*

It is vital that the all policies, procedures and internal controls are regularly assessed so that employees are assured of the premium placed on an ethical workplace.

## The Role of the Forensic Investigator

A forensic investigator can assist with analysing and interpreting complex business and financial issues through the application of computerised applications that can determine whether policies and procedures are being followed and investigation, including interviews with staff members, where breaches are found. The benefits of outsourcing this role to an external consultant include:

- Objectivity and credibility
- Enhanced efficiency and effectiveness
- Independent litigation support, should it be necessary, and
- Provides protections against adverse public opinion of an internal investigation

Without a documented framework of ethical expectation there is a risk of reputational damage internally, which has the potential to have a long-term external effect. Should a business face issues of ethical irregularity there are a number of advantages to seeking external investigative assistance.



### Aquila Advisory – protecting you and your business

Choosing the right adviser can be vital in reducing risk and protecting your critical personal and business data. At Aquila our experts are on hand to quickly identify vulnerabilities, highlight any potential risks, and to implement robust plans to protect your business. We also regularly conduct investigations into allocations of unethical behaviours, offering independency and discretion.

To find out more about the services provided by Aquila Advisory, speak to us today. We will advise you of your options and to help you make the right decisions for you, your employees and your business.

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