



Ethical standards: roles and responsibilities of the NHS accountant

23 May 2024



Summary

The pressure to deliver more and more healthcare services, and produce a balanced financial position means that the requirement for NHS finance professionals to maintain ethical standards is more important than ever.

Finance professionals have many opportunities to use their discretion. While some transactions are straightforward, the preparation of financial reports and estimates requires judgement.

The finance function has a crucial role to play in the NHS. As well as carrying out the day-to-day financial processes for large organisations, finance professionals are integral to governance arrangements and demonstrating accountability. It is important to understand and consider the pressures they face, their professional responsibilities and how they can be supported.

Professional standards and codes of conduct are vital to help determine the right course of action when faced with an ethical dilemma.

In the NHS, finance staff have a responsibility to meet both the regulatory standards of the NHS and the ethical standards of professional bodies. The ethical standards and safeguards are in place to support

accountants when they face ethical dilemmas. Transparency in process, information and actions is key.

This briefing, updated in May 2024, explores the ethical dilemmas facing NHS finance staff; provides a reminder of ethical requirements; and sets out what NHS finance staff can do to ensure ethical standards are met.

Introduction

This is a challenging time for the NHS and the people who work in it – both operationally and financially. The pressure to keep up with the demands for healthcare services, reduce waiting lists and produce a balanced financial position means that the requirement for NHS finance professionals to be aware of and maintain ethical standards is more important than ever.

The message delivered by Mark Orchard (HFMA past president) in 2017¹, remains relevant today:

‘NHS boards remain responsible for delivering their approved plans, and chief executives are accountable for the consequences of success or failure whether that be linked to patient safety, financial liquidity or meeting nationally determined NHS access standards. The stakes are high, and the most senior finance professionals will be under unrelenting pressure to confirm deliverability at every stage of the journey.’

The finance function has a crucial role to play in the NHS. As well as carrying out the day-to-day financial processes for large organisations, finance professionals are integral to establishing and maintaining governance arrangements and demonstrating accountability. It is important to understand and consider the pressures they face, their professional responsibilities and how they can be supported. Professional standards and codes of conduct are vital to help determine the right course of action when faced with an ethical dilemma.

Maintaining ethical standards is the responsibility of all staff working in the NHS. The aim of this briefing, updated in May 2024, is to provide support by reminding NHS finance staff, governing bodies, clinicians and others of the ethical roles and

responsibilities of the NHS accountant. It explores the ethical dilemmas facing NHS finance staff; summarises the ethical requirements; and sets out what NHS finance staff can do to ensure ethical standards are met.

Further resources to support NHS finance staff during these tough times are available from [One NHS Finance](#).²

Ethical dilemmas for NHS finance staff

The HFMA's briefing, *The role of the NHS chief finance officer*³, recognises that finance is at the heart of an organisation, playing a key role in both corporate decision-making and leadership. It notes that as pressure on public finances increases, the role will continue to evolve, becoming ever more challenging and demanding, and requiring a range of characteristics – including resilience, collaboration and the ability to act professionally and ethically at all times.

Today there is the need to look beyond organisational boundaries and work towards the collective system goals and financial positions. This can lead to conflict in cases when doing the right thing for the system and the public has a potentially negative impact on an individual organisation.

Finance professionals have many opportunities to use their discretion. While some transactions are straightforward, the preparation of financial reports and estimates requires judgement.

Examples of unethical behaviour include:

- amending third party documentation
- falsifying training records
- misleading others (for example, the governing body, auditors, regulators)
- being associated with financial or non-financial reports that materially misrepresent the facts
- withholding, concealing or disregarding relevant information.

The level of current financial and operational challenge does put pressure on finance teams as they report their financial position and develop plans. In times of financial challenge, finance staff – particularly those new to roles – may feel isolated and pressurised to report a particular, usually over positive, position.

One challenge is around late receipt of allocations and the inability to carry funds forward into the next financial year. Both revenue and capital allocations are given on an annual basis and the accounting rules are clear that accruals are only appropriate if goods have been received and/ or services delivered. However, this can cause issues as although funding does not roll forward into subsequent financial years, programmes of activity often do span across financial years.

Finance staff are often key in reporting information to the governing body and as part of national submissions – the accuracy and completeness of reporting the story is essential. Finance professionals may feel pressured to act unethically. It is important

to recognise the serious implications of acting unethically including reputational damage, increased risk assessment for audit and, in extreme circumstances, criminal charges.

Ethical requirements

Ethics can be defined as the moral principles that govern a person's behaviour. In the NHS, finance staff have a responsibility to meet both the regulatory standards of the NHS and the ethical standards of their professional bodies. Public perception is also particularly important when dealing with public money.

NHS codes of practice

As taxpayers provide the resources for which everyone working in the public sector is responsible, certain ethical standards and values are expected of them. Known as the *Seven principles of public life*⁴ or the Nolan principles, these set out the basis of ethical standards as:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

The Treasury's guidance document, *Managing public money* (MPM)⁵ sets out the standards that all public services are expected to comply with, in line with the Nolan principles. The Treasury adds that:

'organisations should carry these standards out 'in the spirit of, as well as to the letter of, the law in the public interest, to high ethical standards, achieving value for money.'

For example, in relation to tax, paragraph 5.6 of the MPM specifically refers to the fact that:

‘public sector organisations shall not engage in, or connive at, tax evasion, tax avoidance or tax planning.....artificial tax avoidance schemes shall normally be rejected’.

While tax avoidance schemes may be hard to identify, from an ethical standpoint NHS accountants should be very wary of advisors suggesting ways to reduce their organisation’s tax burden. While tax advisory services (including compliance reviews) can prove useful and help to identify additional funds or savings for an organisation as part of the NHS’s tax administration which is permitted by MPM, any arrangements which typically involve altering contracts or contractual arrangements where the sole benefit is, or appears to be, the tax saved as a result should not be considered by the sector.

Several codes of practice and standards of business conduct have been issued across the United Kingdom⁶. They describe the standards and public service values which underpin the work of the NHS and provide instructions and best practice to staff in maintaining strict ethical standards in the conduct of NHS business. Everyone who works in the NHS is expected to adhere to these standards.

These core standards are designed to serve two purposes:

- to guide managers and employing health bodies in the work they do and the decisions and choices they must make
- to reassure the public that these important decisions are being made in the context of professional standards and accountability.

Professional code of conduct

Finance professionals must also be aware of the International Ethics Standards Board for Accountants (IESBA) *International code of ethics for professional accountants* (the Code)⁷, published in 2023 by the International Federation of Accountants (IFAC).

As the Code’s introduction states, ‘a distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest’ and ‘confidence in the accountancy profession is a reason why businesses, governments and other organisations involve professional accountants in a broad range of areas’.

The Code requires accountants to adhere to five fundamental principles, as set out below. These principles also apply when professional accountants become aware of non-compliance and suspected non-compliance with laws and regulations.

The five fundamental principles for a professional accountant⁸

As set out in the Code, 'a professional accountant is required to comply with the following fundamental principles:

- **Integrity** – to be straightforward and honest in all professional and business relationships.
- **Objectivity** – to exercise professional or business judgement without being compromised by: bias; conflict of interest; or undue reliance on, individuals, organisations, technology and other factors.
- **Professional competence and due care** – to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service based on current technical and professional standards and relevant legislation; and act diligently and in accordance with applicable technical and professional standards.
- **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships.
- **Professional behaviour** – to comply with relevant laws and regulations; behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and avoid any conduct that the professional accountant knows or should know might discredit the profession.'

NHS finance professionals will have been examined and approved by their professional body and the public places trust in them as accredited professionals. Each accountancy body regulates its members and reflects these principles in their own requirements, disciplinary schemes and guidance.

The HFMA's *Ethical code*⁹ also sets out the fundamental principles which members of the association are expected to apply as follows:

- honesty and integrity
- independence
- competence
- confidentiality
- compliance
- gifts and hospitality.

Threats to ethical standards

There are five categories of common threats to compliance with the fundamental principles:

- **self-interest:** being inappropriately influenced by financial/ other interests of self or someone close
- **intimidation:** being deterred from acting objectively by actual or perceived threats
- **self-review:** evaluating the results of own previous judgement or service
- **familiarity:** being too sympathetic to the interests of others as a result of a close relationship
- **advocacy:** promoting a position or opinion to the point where subsequent objectivity is compromised.

The principles and threats provide a conceptual framework that professional accountants apply in particular circumstances. It can be used to evaluate the significance of threats/ risks identified and to implement safeguards.

Ensuring ethical standards

There are a number of legal, regulatory and workplace safeguards in place to eliminate or reduce such threats. These include:

Accountable/Accounting officer (AO)	The AO must ensure that the organisation operates effectively, economically, with probity, makes good use of resources and keeps proper accounts. As well as the AO, other senior roles play a key role in supporting ethical behaviour such as the full board, senior independent director, counter fraud champion, head of internal audit, external audit and the chief finance officer.
Duty of candour	NHS professionals must be open and honest with patients and their organisation
Fit and proper persons test	All NHS organisations must ensure that anyone appointed to an executive

	or non-executive post meets the 'fit and proper person' criteria
Freedom to speak up guardian	Freedom to speak up guardians within NHS organisations, supported by the National Guardians Office, provide independent and impartial advice. NHS England has published various guidance and tools. (national policy ¹⁰ , guide ¹¹ and support scheme ¹²)
Policies and procedures	All NHS bodies have clear organisational policies and procedures including whistleblowing, standing financial instructions, procurement, HR and complaints
Training	Programme of training to ensure all staff are aware of ethical requirements. The HFMA has developed an e-learning module covering ethical and professional considerations ¹³ , which is free to NHS staff and produced a webinar ¹⁴ on the topic which can be viewed on demand.

Finance teams should discuss the ethical standards and their own organisational and system arrangements to ensure that policies and procedures are well understood. Teams should explore whether safeguards can be enhanced further, including consideration of whether review, segregation of duties and staff rotation arrangements are appropriate.

Ultimately a professional accountant will need to apply judgement over what is an acceptable course of action, supported by the principles and safeguards set out above, as well as support from colleagues and networks. They must ensure they have as full an understanding of a situation as possible and resist being pressured into unethical actions.

In a situation where they may feel uncomfortable with figures or information being reported, assumptions and conclusions should be fully stated to make it clear where they have come from. As set out in the Code:

‘when a professional accountant becomes aware that the accountant has been associated with such information (false/ misleading/ provided recklessly or that omits or obscures information), the accountant should take steps to be disassociated from that information’.

An important key test is the reasonableness test:

- How would a reasonably informed third party view it?
- What would the reality of the action look like to a member of the public?

If there is uncertainty, external advice should be sought. A culture of openness and support is key with conversations with peers and mentors at all levels encouraged.

The ethical course of action is not always an easy one. The standards and safeguards support staff in their judgement and what action to take. If there is a breach in ethical standards, or situation which may lead to a breach, it is important to keep an audit trail and raise concerns. Concerns should be discussed with a senior manager, those charged with governance, the chair of the audit committee or the freedom to speak up guardian.

Conclusion

‘Ethical behaviour by accountants plays a vital role in ensuring public trust in financial reporting and business practices and upholding the reputation of the accountancy profession.’ (ICAEW 2020)¹⁵

NHS accountants also have a clear responsibility to the public to uphold ethical standards and a culture of doing the right thing should apply across the whole of the finance team and wider organisation and system.

The ethical standards and safeguards are in place to support accountants when they face ethical dilemmas. Transparency in processes, information and actions are key.

The NHS accountant faces increased pressure in the current challenging climate, and maintaining ethical standards becomes an ever more vital part of their role and responsibilities.

Footnotes

1 HFMA blog, Under pressure, October 2017

2 Future-Focused Finance, Supporting our staff resource pack,

3 HFMA, The role of the NHS chief finance officer, 2024

4 Committees on standards in public life, The seven principles of public life, May 1995

5 HM Treasury, Managing public money, May 2023

6 Including: The National Archives, Code of conduct for NHS managers, 2002; Welsh Government, The codes of conduct and accountability for NHS boards and the code of conduct for NHS managers directions 2006, December 2006; NI Department of Health, Code of conduct for HSC employees, September 2016; NHS England, Standards of business conduct policy, April 2024; Scottish Government, MEL(1994)48 – Standards of business conduct for NHS staff, April 1994

7 IESBA, International code of ethics for professional accountants, September 2023

8 IESBA, International code of ethics for professional accountants, September 2023

9 HFMA, Ethical code, 2022

10 NHS England, Freedom to speak up national policy, November 2022

11 NHS England, The guide for the NHS on freedom to speak up, June 2022

12 NHS England, Speaking up support scheme guidance, January 2024

13 HFMA, Ethical and professional considerations, on-line learning bitesize module (free to NHS staff)

14 HFMA, Bitesize CPD webinar: ethics and professional considerations, June 2020

15 ICAEW, New ICAEW Code of Ethics webinar, January 2020



The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance.

Healthcare Financial Management Association (HFMA) is a registered charity in England and Wales, no 1114463 and Scotland, no SCO41994. HFMA is also a limited company registered in England and Wales, no 5787972. Registered office: 110 Rochester Row, Victoria, London SW1P 1JP

HFMA

HFMA House, 4 Broad Plain, Bristol, BS2 0JP

T 0117 929 4789

E info@hfma.org.uk

© Healthcare Financial Management Association 2024. All rights reserved. While every care had been taken in the preparation of this briefing, the HFMA cannot in any circumstances accept responsibility for errors or omissions and is not responsible for any loss occasioned to any person or organisation acting or refraining from action as a result of any material in it.