

## **Festive Event: Special showing of ICAEW's film "Without Question" and Panel Discussion**

**Thursday 06 December 2018**

**15:00 – 17:30**

### **Introduction**

Philippa Foster Back CBE, Director of the IBE, opened the event by welcoming guests and introducing the panel. This is the sixth film in the series by Duncan Wiggetts at the Institute of Chartered Accountants in England and Wales (ICAEW). Each of these films have succeeded in their teaching purpose as they stick in the memory.

### **Presentation by Duncan Wiggetts**

Duncan Wiggetts from ICAEW thanked Philippa Foster Back CBE, Peter Montagnon and the Institute of Business Ethics for inviting him to speak and for agreeing to show the film. When people ask him "why films?" The answer he gives is "alcohol". In 2005, he was part of a risk management team that went out for dinner. Safe to say, the wine list was very good and that is why the idea of making a film came up. By the end of the night he had also agreed to make the film.

For the first film, the budget was quite low and the actors did not really know how to act. Despite this, the film was well-received and was shown in 10 different countries. As a result, he could go back to the sponsors and ask for more money to hire better actors for the next film. When people ask him why he keeps making the films, he normally replies 'read the news'. There continues to be scandals and the hope is that these films ensure that lessons are learnt. The film "False Assurance", for example, has been used to train 250,000 accountants around the world.

For his latest film "Without Question", he asked directors what they wanted to see. Their feedback was that a lot of things go wrong through not asking the right questions. Many people tell him that the film is unrealistic as a lot more questions would have been asked if you were there. However, the film is realistic as responses vary across audiences. Some audiences come up with lots of questions that should have been asked, while others can only think of a few. In any case, these films do something good to change corporate behaviour and that is why he continues to make them.

### **Screening of "Without Question" and Panel Discussion**

After screening parts 1 and 2 of the film, Peter Montagnon, Associate Director at the IBE, asked for reactions from the panel. The panel consisted of Amanda Mellor, Group Company Secretary at Marks & Spencer, Gareth Tipton, Group Director Ethics and Compliance at BT, Guy Jubb, Honorary Professor at the University of Edinburgh Business School and Anthony Carey, Partner at Mazars LLP. They all agreed that the film had a rich amount of content.

While most people do not set out to do bad things, it is possible to get lost along the way. As seen in these first parts of the film, this can be a consequence of having a tight IPO timescale. Concepts such as ethical fading and moral disengagement are central to the situation portrayed in this film. Dominant personality types may take decisions without consent and this can further deteriorate the situation. As an example, the director keeps jumping to conclusions without asking questions and concludes the audit committee on his own without discussing it further.

There can sometimes be a discrepancy between doing the right thing and securing future business. As the situation looks right now, there is a sense of impending gloom. Pressure seems to be omnipresent in the film with regards to the IPO, the family shareholders and how the auditors feel about their company.

In relation to the social media incident, this is becoming more and more common in business. Often this is a result of a lack of clarity in policy, which is unfortunate. Nowadays, there is a lack of separation between personal and work life. The junior employee in the film has clearly suffered from this incident and it may have major consequences for her moving forward. HR should have provided support rather than engaging in a witch-hunt. The employee in question could have been the one to speak up about the misbehaviour if given more of a say.

Contingency fees are the outcome of the advice given and getting the lowest number possible is the aim. Contingency fees provide an incentive for coming up with the outcome that is in the best interest of managers. The chief executive knows the business and should know the risks. When moving into new areas of risk, he delegates all the responsibility to his son and the business has inappropriate checks and balances.

In terms of diversity and inclusion, it is evident that it is often junior, female members of staff that are being put in pressurised situations. Also, among the non-executive directors, there is only one woman. A lot of junior people have gotten in trouble for decisions made at the top and have been treated badly as a consequence. There is a general lack of desire to push through with questions and the goal is to save the audit no matter the cost.

After the screening of parts 3, 4 and 5, it became clear that the people in the film potentially have 5 or more lawsuits on their hands. The performance of the board has been very weak and someone more robust would have been needed to make sure that this mess was not created. While one of the women challenges the board, no one supports her when she does. There is a general lack of due diligence as nothing seems to have been thought through. The way decisions are made means that people do not say 'no' when they should.

The remuneration committee also provides an interesting example of where bad decisions are made as they discuss paying bonuses into windfalls. This really shows the importance of having long-term incentives and the ethical issues associated with remuneration.

There were a number of occasions for people to speak up, but no one did. This comes down to culture and whether people feel like they will be retaliated against. In the end, everyone has a responsibility to speak up.

## Q&A

The presentation was followed by questions from the audience. Among the issues raised were:

- Why did this happen the way it did and how can you prevent it from happening?
- Where should the line be drawn in terms of social media use? Jeff Bezos, Chief Executive Officer at Amazon, has stated that distinguishing between personal and work life is a balancing act
- Is asking 'why' three times the best way to get a proper answer?
- Anti-corruption has not been touched on a lot. What can be done to ensure sufficient due diligence?