

The background features two parallel dotted lines that curve upwards from the bottom left towards the top right. A single solid yellow dot is positioned between these lines, roughly aligned with the start of the word 'Right' in the main title.

# Do The Right

# IMA Issues New Ethics Guidance

BY CURTIS C. VERSCHOOR, CMA

IMA has developed a revised *IMA Statement of Ethical Professional Practice* to help guide the business and personal decisions made by its members and their organizations. This is IMA's latest initiative in its long-standing strategy to encourage individuals and organizations to adopt, promote, and execute business practices consistent with high ethical standards.

The new Statement is shorter, easier to understand and apply, and reflects the global scope of the practice of management accounting and financial management. Although it became effective immediately upon its approval by the IMA Board of Directors, its contents won't be tested on the CMA and CFM examinations for some time

to allow test preparation providers to make necessary changes in their materials. The Statement soon will be included in the IMA Statements on Management Accounting as an example of best business practice to management accountants and financial managers who aren't IMA members.

The new guidance results from a nearly three-year effort of research and deliberations by the IMA Ethics Committee. Subcommittees were assigned to work on portions of the Statement. The process involved hours of face-to-face debate and word-by-word review by Committee members. Language that generated initial controversy usually culminated in consensus or overwhelming majority votes.

# Thing

Among the reasons for reassessing IMA's ethics code at this time is to be sure that it is consistent with the provisions of the Sarbanes-Oxley Act of 2002. Also, as a member of the International Federation of Accountants (IFAC), the global association of professional accounting groups, IMA needs to ensure that its ethics code incorporates the fundamental principles contained in the IFAC code of ethics, a requirement of membership. Finally, because the number of IMA members who reside outside the United States continues to increase rapidly, it is also appropriate to ensure that global issues have been considered properly.

The final Statement was endorsed unanimously by the Ethics Committee and approved by the IMA Board. The new ethics statement is something that IMA members can take pride in and use to form the basis of the ethics practices in their own organizations. Although SOX applies directly to only publicly held companies, many private and not-for-profit organizations have adopted portions of it as best business practice—particularly the requirements for a code of ethical conduct. Also, several states and the U.S. Congress are considering making SOX mandatory for nonprofits.

## PRINCIPLES AS WELL AS STANDARDS

Conforming to what is becoming best practice for ethics codes, the new IMA ethics statement consists of a brief introductory paragraph; overarching principles; specific, enforceable standards; and guidance for resolution of ethical conflict. In other words, our commitment to ethical professional practices is expressed through the overarching principles that communicate our core values as well as the enforceable standards that guide our conduct. The previous IMA Standards of Ethical Conduct didn't articulate core values, and the Ethics Committee believes that doing so will be helpful to members. Numerous research studies have shown that the most effective approach to ethics is one based on values rather than on legalistic rules, which the new standards reflect.

The Statement's introduction begins with the simple challenge: "Members of IMA shall behave ethically." This declaration applies to all activities IMA members engage in, not just their responsibilities as management accountants and financial managers. This means that members should embody the IMA principles in their actions and in their dealings with others in the communities they live in as well as at their workplace.

IMA's overarching core ethical principles are honesty, fairness, objectivity, and responsibility. Members shall act in accordance with these principles and encourage others

within their organization to follow them. Rushworth Kidder, president of the Institute for Global Ethics, uses these four principles selected for inclusion in the Statement as part of his definition of ethics. This definition appears in the Ethics Center portion of the IMA website ([www.imanet.org](http://www.imanet.org)).

The principles set the framework for ethical behavior by members in simple, clear language. Honesty requires conscientious application to the task at hand and truthfulness in all analyses and communications. Fairness requires empathetic, just consideration of the needs of others involved in a particular situation and full disclosure of all necessary contextual information. Objectivity requires impartial and dispassionate evaluation of conflicting points of view before arriving at a conclusion. Responsibility requires actions to be performed with faithfulness and loyalty.

The overarching principles are intended to provide freestanding additional guidance to help members consider the ethical aspects of the decisions they make. As a result, they aren't the same as the areas of ethical responsibility that are later set forth in the standards section. Compliance with the principles is voluntary and doesn't subject members to possible disciplinary action.

## THE STANDARDS

Unlike the principles, the failure of an IMA member to comply with the new standards may result in disciplinary action. The standards set forth four areas where members have a responsibility. The first three areas are the same as those contained in the previous standards: competence, confidentiality, and integrity. The fourth area of responsibility is credibility. It replaces objectivity, which has become an overarching principle as noted above. Let's look at the responsibilities involved with each of the four areas. Quoted text comes directly from the new Statement.

**Competence.** "Each IMA member has a responsibility to:

1. Maintain an appropriate level of professional expertise by continually developing knowledge and skills.
2. Perform professional duties in accordance with relevant laws, regulations, and technical standards.
3. Provide decision support information and recommendations that are accurate, clear, concise, and timely.
4. Recognize and communicate professional limitations or other constraints that would preclude judgment or successful performance of an activity."

The first two responsibilities are similar to those in the

# Ethics Help Line Announcement

## Help Line Number : (800) 245-1383

### **To: All IMA Members and Members of the Management Accounting Profession**

The Institute of Management Accountants has entered into an agreement with Global Compliance Services under which Global will provide assistance to IMA in the administration of the IMA Ethics Program. This arrangement will give IMA members and nonmembers better access to the IMA Ethics Help Line and to the overall IMA Ethics Program.

Global's primary function in the IMA Ethics Program will be as a "screening" mechanism under which persons who call a toll-free telephone number will receive assistance in determining the kind of ethics matter being reported. The information gathered by Global will be forwarded to one of IMA's experts, who will examine the information and determine the best manner for answering the inquiry. A Global Compliance Representative will field anonymous calls as well as those in which the caller will identify himself/herself and provide names and other information about his or her ethics question. Those using the service will receive instructions about calling Global Compliance for follow-up on the initial concern or question. Global Compliance will communicate any response they receive (from an IMA contact who is an expert on IMA ethics matters) along with references to the *IMA Statement of Ethical Professional Practice*, if applicable, to the caller. Global Compliance will act as an objective third party who will communicate information between callers and the IMA contact(s).

The procedures to be followed in initiating use of this service are as follows:

- ◆ The Help Line is available 24 hours a day, seven days a week, in any language.
- ◆ The Help Line is staffed with Communication Specialists from Global Compliance who will ask you a series of questions to understand the nature of your concern.
- ◆ The Communication Specialist will document your ethics concern and provide a report to the IMA, where an expert on IMA ethics matters will review your information and follow up with you either directly or through Global Compliance if you wish to remain anonymous.
- ◆ If you choose to remain anonymous, Global Compliance will provide you with a report number and PIN to use for anonymous follow-up.
- ◆ When making a follow-up call, you will need both the report number and PIN to obtain information about the status of your concern or to provide follow-up information.
- ◆ Calls to Global Compliance are never recorded or traced.

#### **Ethics Listserv**

IMA members may also sign up for an Ethics Listserv where they can share their views about ethics situations with others. These dialogues are not anonymous and are the opinions of listserv participants. You can find the listserv on [www.imanet.org](http://www.imanet.org) in the Leadership Strategies and Ethics section of the Research Centre of Excellence.

previous standards. Number 3 adds the words “accurate, clear, concise, and timely” to further clarify the type of support information and recommendations expected from members. Number 4 was in the Integrity section of the previous code, but the Ethics Committee felt that it was more appropriate to list the item under Competence.

**Confidentiality.** “Each IMA member has a responsibility to:

1. Keep information confidential except when disclosure is authorized or legally mandated.
2. Inform all relevant parties regarding appropriate use of confidential information. Monitor subordinates’ activities to ensure compliance.
3. Refrain from using confidential information for unethical or illegal advantage.”

These responsibilities have been shortened somewhat from the language in the previous version of the standards. They have also been clarified for easier understanding and use. Number 2 requires the monitoring of subordinates’ activities in the realm of ethics.

**Integrity.** “Each IMA member has a responsibility to:

1. Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.
2. Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
3. Abstain from engaging in or supporting any activity that might discredit the profession.”

The previous Statement included a responsibility to refuse gifts or favors. Because the new version covers this issue amply in other sections of the document, it was omitted here.

**Credibility** (formerly Objectivity). “Each IMA member has a responsibility to:

1. Communicate information fairly and objectively.
2. Disclose all relevant information that could reasonably be expected to influence an intended user’s understanding of the reports, analyses, or recommendations.
3. Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.”

The last responsibility, new to the standards, reflects the increasing emphasis being placed on the adequacy of internal and disclosure controls by SOX and other initiatives.

## RESOLUTION OF ETHICAL CONFLICT

Included as the final part of the new *IMA Statement of Ethical Professional Practice* is guidance concerning how members should proceed in resolving any ethical dilemmas

encountered. The Resolution of Ethical Conflict states:

“In applying the Standards of Ethical Professional Practice, you may encounter problems identifying ethical behavior or resolving an ethical conflict. When faced with ethical issues, you should follow your organization’s established policies on the resolution of such conflict. If these policies do not resolve the ethical conflict, you should consider the following courses of action:

1. Discuss the issue with your immediate supervisor except when it appears that the supervisor is involved. In that case, present the issue to the next level. If you cannot achieve a satisfactory resolution, submit the issue to the next management level. If your immediate superior is the chief executive officer or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners. Contact with levels above the immediate superior should be initiated only with your superior’s knowledge, assuming he or she is not involved. Communication of such problems to authorities or individuals not employed or engaged by the organization is not considered appropriate, unless you believe there is a clear violation of the law.
2. Clarify relevant ethical issues by initiating a confidential discussion with an IMA Ethics Counselor or other impartial advisor to obtain a better understanding of possible courses of action.
3. Consult your own attorney as to legal obligations and rights concerning the ethical conflict.”

The new guidance for resolving ethical conflict is shorter and much easier to comprehend than the previous version, which contained materials the Ethics Committee deemed to be distracting from the overall message.

The new *IMA Statement of Ethical Professional Practice* should be more helpful to members and their organizations. IMA stands ready to assist members in interpreting and applying the Statement through the IMA Help Line. Links to ethics-related material are also available in the Leadership Strategies and Ethics portion of the IMA Research Centre of Excellence.

“Doing the right thing” is definitely the best policy in the long run. IMA’s new ethics statement can help members determine what the right thing to do really is. ■

*Curtis C. Verschoor is the Ledger & Quill Research Professor, School of Accountancy and MIS, DePaul University, Chicago, and Research Scholar in the Center for Business Ethics at Bentley College, Waltham, Mass. His e-mail address is [cverscho@condor.depaul.edu](mailto:cverscho@condor.depaul.edu).*