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# IFAC Committee Proposes Guidance for Achieving Ethical Behavior

The International Accounting Education Standards Board (IAESB), a committee of the International Federation of Accountants (IFAC), has proposed guidance designed to assist in the ethics education of young

accountants before they become professionals and to help seasoned accounting professionals act in accordance with the highest ethical standards. These standards are contained in the *IFAC Code of Ethics for Professional Accountants*, which is intended to serve as a global model that can be used as a basis for national ethical guidance. The code sets standards of conduct for professional accountants and states the fundamental principles that should be observed in order to achieve common objectives. Because IMA® is a member body of IFAC, the *IMA Statement of Ethical Professional Practice* should and does comply with the requirements of the IFAC code.

A research study sponsored by IFAC preceded the drafting of the current proposal. The study, “Approaches to the Development and Maintenance of Professional Values, Ethics, and Attitudes in Accounting

Education Programs,” is applicable to continuing education and educational efforts prior to earning a professional certification. Findings of this research are of interest to management accountants as well as training professionals and educators. Key ethics threats identified by the survey are self-interest and failure to maintain objectivity, improper leadership and poor organizational culture, lack of ethical courage to do what is right, lack of ethical sensitivity, and failure to exercise proper professional judgment.

The IFAC study provided significant insights into accountants’ perceptions of how ethical issues should be addressed:

- Ethics should be learned as a form of lifelong professional development.
- Ethics education requires accountants to think critically before making decisions with ethical implications.

- Most respondents disagree with the premise that an individual’s ethical standards can’t be changed or improved.

- Ethical behavior can be maintained only where leaders are models of ethical behavior and ethical courage is needed to translate values into action.

- A consensus exists that ethics should be taught both as a separate unit and as an integrated theme within other units of precertification education.

The IFAC research also concluded that education is important and necessary to accomplish the following goals:

- Develop a sense of ethical responsibility in accountants,
- Improve the moral standards and attitudes of accountants,
- Develop the problem-solving skills that have ethical implications, and
- Develop a sense of professional responsibility or obligation.

These ethics initiatives are under the auspices of the IAESB, which operates independently of IFAC. Its overarching mission is to issue standards, discussion papers and studies, and information papers. These pub-

lications deal with the proper credentialing of professional accountants, such as the Certified Management Accountant (CMA®), as well as with improvement in the quality of continuing professional education and development for experienced members of the accountancy profession. The work of the IAESB is intended to apply equally to professional management accountants as well as to professional auditors.

The basis of the IAESB's work involving ethics is International Education Standard No. 4, "Professional Values, Ethics, and Attitudes" (IES 4). While IES 4 prescribes the professional values, ethics, and attitudes that professional accountants should acquire during education programs leading to their certification, I am only going to address the conceptual framework of the objectives of the guidance and not the methods and approaches that are of more interest to professional training specialists and other educators.

Basic to the need for professional accountants to have guidance about professional values, ethics, and attitudes is the fact that the actions of all accountants affect others, both internal and external to the organization. Accountants interact with other employees who perform functions such as marketing, production, and research. Accountants also have significant dealings with external stakeholders, such as customers, vendors, and other suppliers. They also need to serve the interests of the community as a whole by accurately reporting information to government at many levels. These stakeholders and the public at large rely on the ethical integrity of the accountancy profession and its members to ensure that their professional responsibilities are upheld.

Paragraphs 4 through 6 of IES 4 express the need for strong ethical standards to enable professional accountants to provide high-quality services that are in the public interest:

- "4. Society has high expectations of the accountancy profession. It is essential for professional accountants to accept and observe ethical principles regulating all their relationships. Professional values, ethics, and attitudes identify professional accountants as members of a profession and should shape everything they do as professionals....
- "5. Since professional accountants have a role to play in decision making, they need to have a thorough appreciation of the potential ethical implications of professional and managerial decisions. They also need to be aware of the pressures of observing and upholding ethical principles that may fall on those involved in the decision-making process. This is true whether they are working in public practice, industry or commerce, the public sector, or education.
- "6. Professional accountants operate in a world of change. Good governance, both corporate and public, depends greatly on adherence to professional values, ethics, and attitudes. In such circumstances, a clear understanding of, and education in, ethical principles is essential."

Paragraph 15 states that the objectives of "the coverage of values and attitudes in education programs for professional accountants should lead to a commitment to:

- (a) the public interest and sensitivity to social responsibilities;
- (b) continual improvement and lifelong learning;

- (c) reliability, responsibility, timeliness, courtesy, and respect; and
- (d) laws and regulations."

The current IAESB-proposed guidance document is titled "Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes." It recommends adoption of a flexible, competency-based Ethics Education Framework (EEF). The framework has four stages on a learning continuum that progresses from entry-level to the end of a person's career. Stage 1, Enhancing Ethics Knowledge, introduces concepts of professional values, ethics, and attitudes. Stage 2, Developing Ethical Sensitivity, applies knowledge of basic ethical principles to the relevant functional disciplines of accounting. It provides a focus on developing a sense of professional responsibility for ethical sensitivity and an appreciation of ethical threats.

Stage 3 of the EEF is Improving Ethical Judgment. It's an application stage that gives professional accountants practice in integrating and applying ethics knowledge and ethical sensitivity to form reasoned and well-informed decisions. The final stage, Stage 4, is Maintaining an Ongoing Commitment to Ethical Behavior. This stage emphasizes the development and reinforcement of a lifelong commitment to ethical behavior in a professional context.

According to paragraph 16 of IES 4, the contents of educational programs for learning professional values, ethics, and attitudes should include:

- the nature of ethics;
- differences, advantages, and drawbacks of approaches to ethics that are either detailed and rules-based or more framework oriented;

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**[ETHICS]** *cont'd from p. 20*

- compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;

- professional behavior and compliance with technical standards;

- concepts of independence, skepticism, accountability, and public expectations; and

- ethics and the social responsibility of the profession.

All of us should evaluate how well we comply with these standards and related educational approaches. ■

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