Proposed International Education Standard (IES) 4 (Revised)

Professional Values, Ethics and Attitudes

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Introduction

Scope

1. This International Education Standard (IES) prescribes the good practice for IFAC member bodies when defining the professional values, ethics and attitudes to be acquired by professional accountants through learning and development during the program of professional accounting education undertaken as part of Initial Professional Development (IPD). This is referred to hereafter as “the program of professional accounting education.”

2. Although not all IFAC member bodies have control over IPD and in some countries other groups are involved, this IES is addressed to IFAC member bodies, whose role it is, to have responsibility for ensuring that the program of professional accounting education meets the requirements set out in this IES. In addition, this IES will be helpful to all educational organisations involved with constructing ethics programs and the IAESB encourages adoption of the IES beyond IFAC member bodies.

3. Learning and development continues throughout the career of a professional accountant and aspects of this IES will also be relevant to Continuing Professional Development (CPD). This is particularly important as the professional values, ethics and attitudes achieved during IPD will be developed further as the career of the professional accountant changes and gives exposure to a wide range of ethical issues.

4. This IES applies the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) to professional accounting education programs. The IESBA Code establishes ethical requirements for professional accountants and sets out five fundamental principles of professional ethics.

Effective Date

5. This IES is effective from (a date to be agreed by IAESB, not before 1 January 2013).

Objective

6. The objective of prescribing the professional values, ethics and attitudes to be acquired during the program of professional accounting education is to ensure that when aspiring professional accountants complete their IPD they have developed the appropriate competence to perform the functions of a professional accountant. In addition, these professional values, ethics and attitudes will lay the foundation for the ongoing development and application of professional values, ethics and attitudes throughout the professional accountant’s career.
7. The program of professional accounting education shall provide aspiring professional accountants with a framework of professional values, ethics and attitudes for exercising professional judgment in the public interest. *(Ref Para A2-A4)*

8. The program of professional accounting education shall ensure that the IESBA Code is integrated fully in learning and development activities, and that any additional local requirements are sufficiently covered. Where additional requirements are established then a similar outcome approach as set out in this IES may be followed and assessment required. *(Ref Para A5, A6)*

9. The coverage of professional values, ethics and attitudes in the program of professional accounting education shall be based on aspiring professional accountants developing an understanding of ethical concepts and theories and the fundamental principles of the IESBA Code and be sufficient to foster a commitment to:

   a. the public interest and sensitivity to social responsibilities;
   b. lifelong learning and CPD;
   c. reliability, responsibility, timeliness and courtesy; and
   d. respect of laws, regulations and local societal norms.

 *(Ref Para A7 – A13)*

10. Completion of the program of professional accounting education, shall enable the aspiring professional accountant, at a minimum, to:

   - Explain the nature of ethics;
   - Explain the advantages and drawbacks of detailed rules-based and framework-based approaches to ethics;
   - Explain the role of ethics within the profession and in relation to the concept of social responsibility;
   - Explain the interrelationship between ethics and law, including the relationship between laws, regulations and the public interest;
   - Explain the role of ethics in relation to business and good governance;
   - Compare concepts of objectivity, professional skepticism, accountability and public expectations;
   - Compare the consequences of unethical behavior to the individual, to the profession and to society at large;
   - Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior to ethical dilemmas and their resolution; and
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- Apply the IESBA Code to professional behavior and compliance with technical standards.
  (Ref Para A14 – A17)

11. Programs of professional accounting education shall contain a requirement to undertake reflective activity which is formalised and documented in relation to lessons learned from ethical situations and to ensure that professional accountants develop into ethical individuals and approach the requirements of the IESBA Code in a positive and participative way. (Ref Para A18 - A20)

12. Programs of professional accounting education shall be assessed to enable the measurement of the development of appropriate competence in the professional values, ethics and attitudes required of professional accountants. (Ref Para A21, A22)

Explanatory Materials

A1 An aspiring professional accountant is an individual who has registered in and commenced a program of professional accounting education as part of IPD. (Ref: Objective)

A2 In the context of this IES, the program of professional accounting education is considered to include professional accounting education, practical experience and training. (Ref: Req 7)

A3 Professional values, ethics and attitudes are defined as the professional behaviour and characteristics that identify professional accountants as members of a profession. These include the principles of conduct (i.e., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behaviour. These principles of conduct include a commitment to:
  - technical competence;
  - ethical behaviour (e.g., independence, objectivity, confidentiality, and integrity);
  - professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability);
  - the pursuit of excellence (e.g., commitment to continual improvement and life-long learning); and
  - social responsibility (e.g., awareness and consideration of the public interest). (Ref: Req 7)

A4 Under the IESBA Code, professional accountants accept a responsibility to act in the public interest. Therefore, actions of a professional accountant are not exclusively to satisfy the needs of an individual client or employer. In view of the obligations to follow the IESBA Code it is important that the Code features within the IPD of aspiring professional accountants. (Ref: Req 7)
In view of the importance of professional values, ethics and attitudes to professional accountants, the presentation of the topic within the program of professional accounting education may at first be treated as a separate subject. As aspiring professional accountants progress, and gain a wider knowledge of other subjects it is then recommended that professional values, ethics and attitudes is integrated with other subject matters. This approach to integrating the topic into the program of professional accounting education is designed to encourage aspiring professional accountants to look for and consider the possible ethical implications of problems being discussed in their study of other subjects. (Ref: Req 8)

It is necessary for professional accountants in jurisdictions which have requirements and guidance which differ from those contained in the IESBA code to be aware of those differences and comply with the more stringent requirements and guidance unless prohibited by law or regulation. As a result in setting the program of professional accounting education, educators and IFAC member bodies are advised to consider how to incorporate both the IESBA Code and local regulations and requirements. (Ref: Req 8)

It is important that aspiring professional accountants understand that professional values, ethics and attitudes run through everything that professional accountants do. Having a knowledge and understanding of ethical concepts and theories can help the aspiring professional accountant to recognise and address ethical dilemmas. (Ref: Req 9)

In fostering a commitment to the public interest it is important that aspiring professional accountants understand that professional accountants contribute to confidence and trust in the capital markets. In view of this, the professional accounting education program might address particular ethical issues likely to be faced by all professional accountants and also those ethical issues more likely to be encountered by professional accountants in the field in which they are most likely to work. (Ref: Req 9)

In order to safeguard the public interest IFAC considers that member bodies have an obligation to their current and future members, as well as to society at large, to ensure that their members have a continuing understanding of professional values, ethics and attitudes. A sufficient understanding is necessary to enable them to foster a commitment to operate effectively and with integrity and discernment in an environment of change. (Ref: Req 9)

It is important for educators and member bodies to distinguish between teaching aspiring professional accountants about professional values, ethics and attitudes and developing and instilling ethical behaviour. Developing professional values, ethics and attitudes begins early in the formal education of a professional accountant through IPD and is re-emphasized throughout a career forming part of CPD activities and life-long learning. (Ref: Req 9)

Appropriate ethical behaviour is as important as technical competence. Accordingly, it is important that the programme of professional accounting education is structured such that the necessary periods of training and practical experience give aspiring professional accountants an opportunity to observe the
application of professional values, ethics and attitudes in the workplace. (Ref: Req 9)

A12 It is important that those responsible for the supervision of practical experience emphasise to aspiring professional accountants the ethical dimensions of the role professional accountants play in the workplace. This may be achieved by encouraging aspiring professional accountants to identify any apparent ethical implications and conflicts in their work, to form preliminary views on such occurrences and to discuss them with their supervisors. (Ref: Req 9)

A13 It is also important that those responsible for the design and supervision of practical experience recognise that ethical problems and potential dilemmas for the aspiring professional accountant may occur within the period of practical experience. Where there is doubt about the ethical aspects of a course of action or situation, guidance might be given to aspiring professional accountants about the need to consult some recognised ethical reference point within their work environment or IFAC member body, whichever may be appropriate in the circumstances. (Ref: Req 9)

A14 The content of the program of professional accounting education for learning professional values, ethics and attitudes described in paragraph 9 is set out in the form of detailed learning outcomes. These learning outcomes establish both the content and the depth of knowledge, understanding and application required for each specified area. An understanding of these requirements for each learning outcome can be used by educators and IFAC member bodies to identify the most appropriate approach to learning and development for professional values, ethics and attitudes whilst also considering the national and cultural environment and objectives. (Ref: Req 10)

A15 In determining the educational approach to each of the learning outcomes specified in Paragraph 9, it is important to consider all aspects of the program of professional accounting education. This will ensure the overall educational approach to professional values, ethics and attitudes is appropriate. In some circumstances it may be appropriate to substitute some aspects of classroom-based education with practical experience. (Ref: Req 10)

A16 In determining the educational approach to be used, educators and IFAC member bodies are encouraged to consider the use of participative approaches that can greatly enhance the learning of professional values, ethics and attitudes. These may include:

- The use of teaching materials such as multi-dimensional case studies;
- Role playing;
- Discussion of selected readings and videos;
- Analysis of real life business situations involving ethical dilemmas;
- Discussion of disciplinary pronouncements and findings; and
• Seminars using speakers with experience of corporate or professional decision making.

(Ref: Req 10)

A17 Participative approaches will typically lead those involved to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions. As many approaches as possible can be used to enhance the learning experience, however, it should be recognised that distance learning programmes may be limited in offering a full range of participative experiences. (Ref: Req 10)

A18 It is important for professional accountants to learn from their ethical experiences and the inclusion of reflective activity within programs of professional accounting education supports this. In undertaking reflective activity it is important that aspiring professional accountants consider and document an experience, in particular what went well, what did not work, and what approach may be taken in the future in similar circumstances. This reflective approach is equally important to professional accountants at all stages of their careers. (Ref: Req 11)

A19 For reflective activity to be an effective tool for learning and development it is essential that it is formalised and as such, evidence of the reflection to be produced by the aspiring professional accountant. The evidence of reflective activity can take many forms and these may include:

• Learning journal;
• Reflective journal;
• Personal development portfolio;
• Critical incident journal; or
• A video diary.

(Ref: Req 11)

A20 To enable the reflective activity undertaken to be effective, the most realistic experience on which to reflect may occur in the workplace although simulations of “real life” experiences may also offer a suitable alternative. (Ref: Req 11)

A21 It is important to assess the competence developed by aspiring professional accountants by completing the program of professional accounting education relating to professional values, ethics and attitudes. As set out in the IAESB Framework differing measurement approaches to assessment can be employed by educators and IFAC member bodies and these include: Input measures, Process measures and Output measures. (Ref: Req 12)

A22 Competence can be assessed by a variety of means including workplace performance, workplace simulations, written examinations and self-assessment. In
determining the most appropriate forms of assessment to be used educators and IFAC member bodies are advised to consider what will be an appropriate mix based on all the assessments used within the program of professional accounting education. (Ref: Req 12)