



Insights series

The future of professionalism in the knowledge society

ACCA: PROMOTING THE GLOBAL ACCOUNTANCY PROFESSIONAL

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ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the largest and fastest-growing international accountancy body with 260,000 students and 110,000 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA's reputation is grounded in over 100 years of providing accounting and financial qualifications. We complement tradition with contemporary thinking. With a predominantly young and dynamic membership, we aim to create value for the profession and the business community through standards and services which are innovative, relevant and of the highest possible quality.

Welcome to the third edition of our Insights series. We recognise the importance you place on having an opportunity to explore, reflect and plan for managing the impacts of current and anticipated challenges and opportunities.

Our Insights series of reports are intended to provide you with that 'space' and an insight on the key issues for the profession and employers. Very often our reports involve a survey together with a review of existing research. However, we've taken a different tact this edition which reproduces a piece written by our Chief Executive, Allen Blewitt, for the Demos publication "Production Values – futures for professionalism".

Our intention remains that our series should reflect your challenges and issues. So, we would be pleased to gear from you, either specifically in response to this piece or indeed, any other key issues of interest. Happy reading and productive reflection!

Best wishes

Stephen Heathcote
Director of Learning and Development

Executive summary

ACCA believes that professionalism is the dedication to an occupation requiring a high level of skill, and commitment to a set of principles at the heart of which lies the public interest. The threshold level of skill is benchmarked using some form of evaluation, for example examinations. In many cases, the greater the skill required to practice in that profession, the more rigorous the threshold level of skill required. Ongoing professionals are expected to keep both knowledge and skills updated. The more established professions formed professional bodies, such as ACCA, to support their fellow members, set and maintain standards, and also to ensure that public interest was kept at the fore.

DOES IT REALLY MATTER?

Is this concept and value of the professional relevant in the current knowledge society? Today's consumer and business person has generally been educated to a higher level than was the case in the nineteenth century when the well-known professions of accountancy, law and medicine were established. At the beginning of the nineteenth century, the professions consisted of the church, medicine, law and the military. The industrial revolution changed that. It ushered in new occupations, which included actuaries, architects, dentists, engineers, pharmacists, veterinarians – and, naturally, accountants. These groups wanted to be recognised as professional and formed themselves into specialist bodies to help them achieve this aim.

Thanks to the likes of Microsoft and Google, the public now has near instant access to the highly sophisticated information and knowledge that was once only available to qualified professionals. Access to specialised relevant information was once the preserve of the professionals. Indeed, access to information and technology has meant that in some instances there are tasks, such as tax returns, conveyancing and probate,

which the public can perform, up to a certain level, without the intervention of a professional.

The reputation of professions – and in particular, the accountancy profession – has not benefited from the major scandals over the last decade or so. For example, scandals which involved Enron, WorldCom and Parmalat have all challenged the accountancy profession. In this climate, the mysticism that once surrounded professionals and the deference with which they were treated has been largely replaced by scepticism. The term professionalism is further challenged given public perceptions of the group of people who comprise 'the professions' – a recent survey showed that 40% of 18–29 year olds questioned included movie acting as a profession. Given this climate – what does the future hold?

ACCA BELIEVES THAT:

- the duty to uphold the public interest is at the heart of being a professional
- professionals embrace the principles of integrity, objectivity, competence and due care, confidentiality and professional behaviour
- exercising professional judgement is based on acquired knowledge, skills, expertise and experience
- in a world of greater access to information, increasing choice, complexity, opportunity and risk, the professional accountant plays a role in facilitating entrepreneurship, helping managers create value, managing risk and helping to rationalise complexity.

ACCA IS COMMITTED TO:

- leading the agenda by developing a new module, 'The Professional Accountant', as part of our 2007 professional qualification
- fostering and promoting the values of professionalism in all markets where we operate, including those where traditions of professionalism are under-developed
- raising standards and increasing opportunity and diversity by ensuring that there is access to a career in professional accountancy for those with merit and ability.

Globalisation, hyper-competition, unrelenting technological advancements and increased scrutiny and regulation results in a complex environment in which to do business. It is easy for entrepreneurs and managers alike to find that they are spending more time trying to de-clutter their business environment and manage risk as opposed to value-creation.

This increased complexity also has its impact on the public. One is now able to source medication over the internet and invest in financial schemes on the other side of the world in a matter of minutes. It is relatively straightforward to obtain information and to transact but it is increasingly more difficult to know how to use that information effectively and manage the risks that come with the activities at our disposal. Availability and choice also adds complexity to our decision making, but makes professional judgement within an ethical framework ever more valuable.

At the heart of being a professional is the duty to uphold the public interest above one's own and to make accurate judgements based on acquired knowledge, skills, expertise and experience. This is knowledge that is regularly updated and skills regularly refreshed and developed. For accountants, the independent exercise of judgement, based around ethical values and technical skills is the key to their future role in society. This is supported by our approach to professional work experience which seeks to ensure that trainee accountants have exposure and an opportunity to learn from "real life" dilemmas, whilst under supervision.

Today's professional accountant operates in an environment of time and space reducing technologies with an increased emphasis on ethics and corporate governance and

demand for new, value adding services. With greater automation and processing, the role of a professional accountant has evolved into one focussed on managing uncertainty, complexity and strategic decision-making within an overall context of heightened governance.

The attributes possessed by professional accountants facilitate entrepreneurship, help managers create value, manage risk and help us rationalise complexity. This is the role of the 21st century professional.

PROFESSIONALISM AND ACCOUNTANCY

At the heart of being a professional accountant is the duty to serve the public interest. In the case of an accountant, this arguably goes beyond the financial. That is, the ethical duty of professional accountants extends into areas such as Corporate Social Responsibility and in trying to ensure that those they advise are aware of their own ethical responsibilities. This is exemplified in the core values of our professional body and in the ethical principles that not only shape and guide our behaviours but set the high expectations of us, as professionals. Our values of opportunity, diversity, accountability, innovation and integrity are deeply embedded in all aspects of what we do as a professional body. They are values that reflect our "DNA" and determine our purpose.

Over 160 professional accountancy bodies representing 2.5 million accountants in 120 countries are members of The International Federation of Accountants (IFAC). ACCA has been instrumental in working with IFAC in developing the global standards on ethics which are intended "...to assist member bodies to discharge their responsibilities to incorporate ethics education so that candidates admitted to membership possess the professional values, ethics and attitudes required of professional accountants".

ACCA's Code of Ethics and Conduct reflects and amplifies the IFAC standard. Our members are guided by our fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, which must

always be observed. Together, these principles identify and articulate what it means to be a professional accountant and express our commitment to the highest set of values. These principles, therefore, act as a benchmark against which members' behaviour is measured. They provide a framework which members can use to determine appropriate courses of action and offer independent judgements, whether as accountants employed in the public or private sectors, or offering their services to clients as a public practitioner.

ACCA is leading the agenda as regards ensuring that the professional accountant has the broad range of skills, values and behaviours that meet the changed expectations of business and society. Within ACCA's new syllabus, which is due to be launched in 2007, ethics and professional judgement is not only pervasive throughout but we have developed a new module entitled "The Professional Accountant". This module will be mandatory for all ACCA students. It aims to ensure that Trainee Accountants apply relevant knowledge, skills and exercise professional judgement in carrying out the role of the accountant relating to governance, internal control, compliance and the management of risk within an organisation, in the context of an overall ethical framework.

ACCA members and trainees understand that at the heart of every ethical dilemma lies a conflict of interest. With ever greater pressure to perform, they are aware of the conflict of interest that can arise in trying to help their organisations and clients maximise profits. They understand the need to be sensitive as to when conflicts arise and the need to apply well honed professional judgement to resolve them. As a professional body, we provide a range of support mechanisms for our members such as online courses, case studies, articles and a range of library resources.

Professionalism is critical to the operation and success of our global financial system. In presenting key financial and other strategic information, professional accountants are pillars of global capital markets

and individual wealth. Professional accountants facilitate, monitor and lead the drive to ensure that an organisation's assets are used to the best interest of its stakeholders. Over 80% of our members consider promoting investors' confidence to be vital. Investor confidence is achieved in a number of ways for example, transparency in financial reporting, championing corporate responsibility or by adhering to high professional and ethical standards .

THE HEART OF PROFESSIONALISM: PROFESSIONAL JUDGEMENT AND ETHICS

Protection of the public can be achieved by ensuring that the fundamental values of professionalism are followed, supported by a rigorous regulatory framework. Our role as a professional body is to ensure that our members develop the ability to exercise independent professional judgement and to instil and promote our fundamental principles.

It is equally important that we do not over-regulate. Regulation needs to be proportionate to the risk and material consequences of misconduct. As previously discussed, part of the essence and value of professionals is their ability to exercise judgement based on ethical principles. Indeed, this is one of the key distinctions between professionals and non-professionals. To impose regulation disproportionate to risk, would serve to constrain the use of judgement at the expense of the value professional accountants can bring to society. This is particularly pertinent as regulators sometimes seek to manage risk through simplification. That is, seeking to manage behaviours and decision-making by devising a set of rules which attempt to cover all conceivable scenarios which leave little room for professional judgement.

Professionals will face almost daily conflict from competing interests which could pose a threat to their professional values. Our qualification, Continuing Professional Development (CPD) and member support services are aimed at ensuring that our members and students are well equipped to deal with these threats.

Whilst knowledge will assist with awareness of the threat, judgement will provide an understanding as to the options available in order to respond. However, ethical behaviour will ensure that the response is an appropriate one. Codes can only guide – it is individuals who decide. As a safety net for the public interest, ACCA, as with all the professional bodies, provide an independent disciplinary system for its members who breach standards.

A GLOBAL CONCEPT OF PROFESSIONALISM IN ACCOUNTANCY

Globalisation and greater cross-border trade in services brings opportunities and challenges. The fusion of cultures and principles is giving rise to a common set of professional values and behaviours. With 370,000 members, affiliates and students located around the globe, ACCA is in a unique position as regards setting common values of professionalism globally. Indeed, employers are attracted by the assurance of high standards across borders as a means of mitigating risk and also utilising the opportunities that come with global scale. We ensure consistency partly through adherence to educational and ethical guidelines set by IFAC and by having consistent approaches to our global offering of qualifications and CPD.

As a global organisation, ACCA passionately believes in diversity, hence our educational offerings are developed in consultation with members, employers, regulators and governments globally. The same standard of competence in a range of technical, management and personal skills is demanded from aspiring members, no matter the country in which they ultimately qualify. However, while the standards are consistent on a global basis, the framework has been developed to be flexible enough for employers and individuals to tailor training.

As the professional class develops in the emerging economies of Asia, Central & Eastern Europe and Africa, ACCA recognises our role in facilitating that emergence by offering opportunities for several thousand individuals of ability to qualify as professional

accountants to global standards. The diversity and mobility of our student and member base facilitates greater cross cultural understanding and shared body of experience and values which continue to build, develop and adapt to fit global environment. As such we aim

to promote the values of professionalism globally, even though in some developing markets there is little understanding of the differences between a degree and lifelong professional membership of a standards based association.

LOOKING FORWARD

Tomorrow's global professional accountant will face an ever increasing set of competing values and complexity in the business environment. They will face ever increasing demands from investors to improve financial returns and measure and report on forward-looking indicators. Given financial markets survive and thrive on accurate and freely available information, the integrity of those who prepare that information is paramount. The ability to exercise judgement based on ethics will be the one constant that will ensure finance professionals maintain that integrity and successfully circumnavigate complexity and ethical dilemmas.

To ensure that accounting professionals remain the guardians of the public interest, continue to create value and facilitate entrepreneurship ACCA calls on the profession, governments, regulators and investors to:

- reassert what it means to be a professional and the values that professional accountants bring to our society through their involvement in every part of our economy.
- ensure that a profession providing variety, intellectual challenge and a high reputation is maintained in order to attract the best talent. This is critical to the future of our profession and its competitiveness. The accountancy profession should work together to maintain and raise standards globally.
- beware of the risk of “de-professionalising” accountants. Avoid using blunt regulation at the expense of professional judgement, as this is unlikely to promote ethical behaviour. A black and white view of the world in which judgement is replaced by a “rules based” tick box exercise counters the values of professionalism. The variety and instances of conflict are infinite. Attempts to anticipate and regulate for every eventuality are fruitless. Instead, focus on supporting professional bodies in ensuring that there is a high level of awareness and understanding on the principles that guide behaviours.
- promote the role of the accounting professional as the individual who can help businesses and individuals manage risk, simplify complexity, foster entrepreneurship and create value.
- maintain the values of professionalism and in offer opportunities to people of ability and application. ACCA will continue to act on this. Indeed, part of our mission states “to provide opportunity and access to people of ability around the world and to support our members throughout their careers in accounting, business and finance”.

ACCA will continue to strive for higher standards and continue to build a global profession with increasing mobility, diversity and opportunity. We will continue to represent and promote the profession globally and aim to “be the leading global professional accountancy body in reputation, influence and size”. We invite our members, governments, regulators, other accountancy professional bodies and investors to join us in these commitments.

