

Professional Ethics in Accounting and Finance

Learning Area Overview

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Welcome to this learning area overview for Professional Ethics in Accounting and Finance, prepared by AAT.

In this overview we'll explain what Professional Ethics in Accounting and Finance is all about, and how it fits into the bigger picture of the AAT Accounting Qualification.

We'll explore the main topics you can expect to cover, and how the knowledge and skills you'll pick up will be of practical use to you in the workplace.

Finally, we'll explain how this learning area relates to the others you've already studied, and those you'll study in the future.

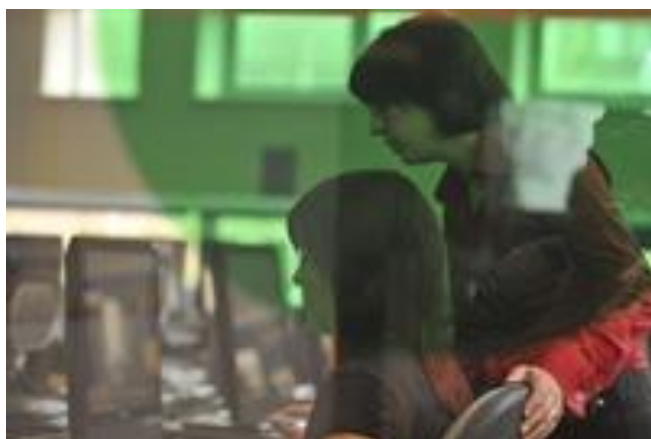
What are professional ethics?

People can sometimes struggle to put their finger on what the word "ethics" means, let alone the term "professional ethics". So, before we look in detail at the Professional Ethics in Accounting and Finance learning area, let's deal with this first.

Ethics tell you how you should behave well in a given context and – just as importantly – what bad behaviour in that context looks like.

So how should you act if you want to behave well at work in your chosen profession? This is an important question because as a professional, whatever your day-to-day tasks may be, you have specialist knowledge and power.

The public needs to feel confident that you know how to handle these. Your professional ethics will determine how you behave when doing your job, helping you to take responsibility for your actions and make hard choices if you need to.



What you'll learn in Professional Ethics in Accounting and Finance

Professional Ethics in Accounting and Finance covers three main topic areas:

- ethical principles
- how to behave ethically
- taking action if there's a breach of ethics or the law.

At the heart of Professional Ethics in Accounting and Finance are six core principles:

- integrity
- objectivity
- confidentiality
- professional competence
- due care
- professional behaviour.

However, you also need to know about the conceptual framework surrounding these principles and under which you – like all accountants – must operate.

For instance, it's important to remember that you should always act within the spirit, as well as the letter, of the law.

You won't find a set of rules to cover every situation you come across, because rules tend not to be comprehensive enough – and the fact that rules exist can tempt people to try and find ways around them.

Instead, you need to develop an understanding of the spirit of the law, so that you're able to consider whether a particular situation poses a threat to one or more of the core principles and, if it does, how you can put safeguards in place to either reduce or remove that threat.

An example of how the conceptual framework works is that there would be a threat to your principle of professional competence and due care if you let your knowledge and skills become out of date – so you must continue to practice continuing professional development to safeguard against this.

When it comes to working within the ethical principles, the law and other relevant regulations or codes of conduct that apply to the accounting profession, there's quite a lot of detail you'll need to cover.

Most of it is contained in the *AAT Guidelines on Professional Ethics* – a document you'll need to become very familiar with if you're to know how to behave ethically.

In addition you'll study some of the more interesting aspects of law. These include confidentiality and data protection, your duty of care as a professional, and the possibility of breach of duty of care, otherwise known as negligence.

You'll also cover:

- breach of trust and breach of contract
- the crimes of fraud and money laundering
- how far you're protected if you find you have to "blow the whistle" on unethical, illegal or criminal behaviour.

You'll learn about the particular challenges you'll face if you work in a business as opposed to a firm of accountants, and vice versa. You'll also find out about the consequences of non-compliance within the ethical guidelines, including disciplinary action.

Finally, Professional Ethics in Accounting and Finance looks at what to do if you think something is not quite right, even if this is just a suspicion rather than full knowledge that there's been a breach of ethics or the law. "Right" actions in this context may range from seeking advice to making official reports in compliance with the money laundering rules, depending on the circumstances.



How Professional Ethics in Accounting and Finance will help you in the workplace

Professional Ethics in Accounting and Finance doesn't cover how to prepare accounts, manage cash or handle spreadsheets, but it's still very much focused on you in the workplace context, whatever your tasks are.

What this learning area aims to do above all is to emphasise how important it is to you, your employer, your profession and the public that you, as a qualified accounting technician, behave ethically in the workplace.

We all need public confidence in accountancy practices or functions, and if you're seen to understand and comply with a credible set of principles that guide your working life, you help strengthen this confidence.

Another aim of this learning area is to help you reach a point where you're comfortable with working in an ethical way throughout your career.

This means acting not only within the *AAT Guidelines on Professional Ethics*, but also any other codes of practice or ethics that are relevant to you in your work, like your employer's code or a specific industry code.

You might find yourself in a workplace where there's nobody you can approach to help you sort out an ethical dilemma.

For this reason it's important to understand that your behavior is your responsibility, and ultimately you'll need the knowledge, understanding and confidence to be able to handle such situations for yourself.

It's crucial that you're able to judge when and how to act if you suspect or know there's unethical behaviour, malpractice or non-compliance with laws and regulations taking place. The consequences of getting it wrong, especially in relation to money laundering and fraud, can be severe. So Professional Ethics in Accounting and Finance also aims to protect you by equipping you with the knowledge to identify and act on problems to prevent them from getting worse.

Professional Ethics in Accounting and Finance supports you in your workplace on all these points – public confidence, your own confidence and your own protection. As a result your professional reputation and integrity will be enhanced and this will, in due course, help you lead a more satisfying and successful professional career.

How Professional Ethics in Accounting and Finance relates to other learning areas

You might be taking Professional Ethics in Accounting and Finance as part of your level 3 studies, or – if you're on the Apprenticeship scheme – at level 2. For this reason you may find it useful to know how it relates to the other learning areas at this level, and also learning areas at other levels.

Professional Ethics in Accounting and Finance is one of seven compulsory learning areas at level 3. The others are:

- Accounts Preparation I
- Accounts Preparation II
- Cash Management
- Costs and Revenues
- Indirect Tax
- Spreadsheets.

It's worth remembering that ethical behaviour and principles apply to whatever you do in the workplace, whether this is writing up ledgers or taking up investment opportunities.

In fact, you could say that ethics is linked to each and every other learning area in the qualification. As Professional Ethics in Accounting and Finance is included at level 2 for some students, this indicates its relevance to accounting technicians at whatever stage in their career.

To be more specific, you'll definitely recognise certain aspects of Professional Ethics in Accounting and Finance in the Work Effectively in Accounting and Finance learning area. Of particular significance is the importance of maintaining confidentiality, and the ongoing need for you to maintain your continuing professional development.

At level 3, Professional Ethics in Accounting and Finance continues to underlie the important knowledge and skills that you're picking up.

However, in specific terms it's only related to one aspect of the Cash Management learning area – namely that if you're involved in cash management you owe a duty of care to the owners of the organisation to make sure you do so responsibly.

Professional Ethics in Accounting and Finance covers what this actually means and what happens if you're professionally negligent and breach that duty of care.

It's at level 4 that many of the issues arising in Professional Ethics in Accounting and Finance are set in their particular contexts.

The only compulsory learning area that relates to a specific aspect of ethics is Internal Control and Accounting Systems, as it looks at Fraud Act offences and the types of fraud that you may encounter in the accounting environment.

With the optional learning areas, however, there's a lot more development. Credit Management and Control touches on data protection laws, an important element of Professional Ethics in Accounting and Finance. In External Auditing, you'll cover the ethical duties of the auditor and the importance of objectivity and independence.

This learning area also covers:

- the auditor's duty of care
- the auditor's liability under contract and negligence
- the disciplinary consequences of audit failure.

Finally, External Auditing develops one of the key issues in Professional Ethics in Accounting and Finance: confidentiality and the circumstances when this professional duty is overridden.

For example, there may be a legal and public duty to take action when an auditor suspects that their client is guilty of money laundering.

