



IKATAN AKUNTAN INDONESIA
Institute of Indonesia Chartered Accountants



The Increased Importance of Professional Values, Ethics and Attitudes

IAI International Seminar for Professional Accountant
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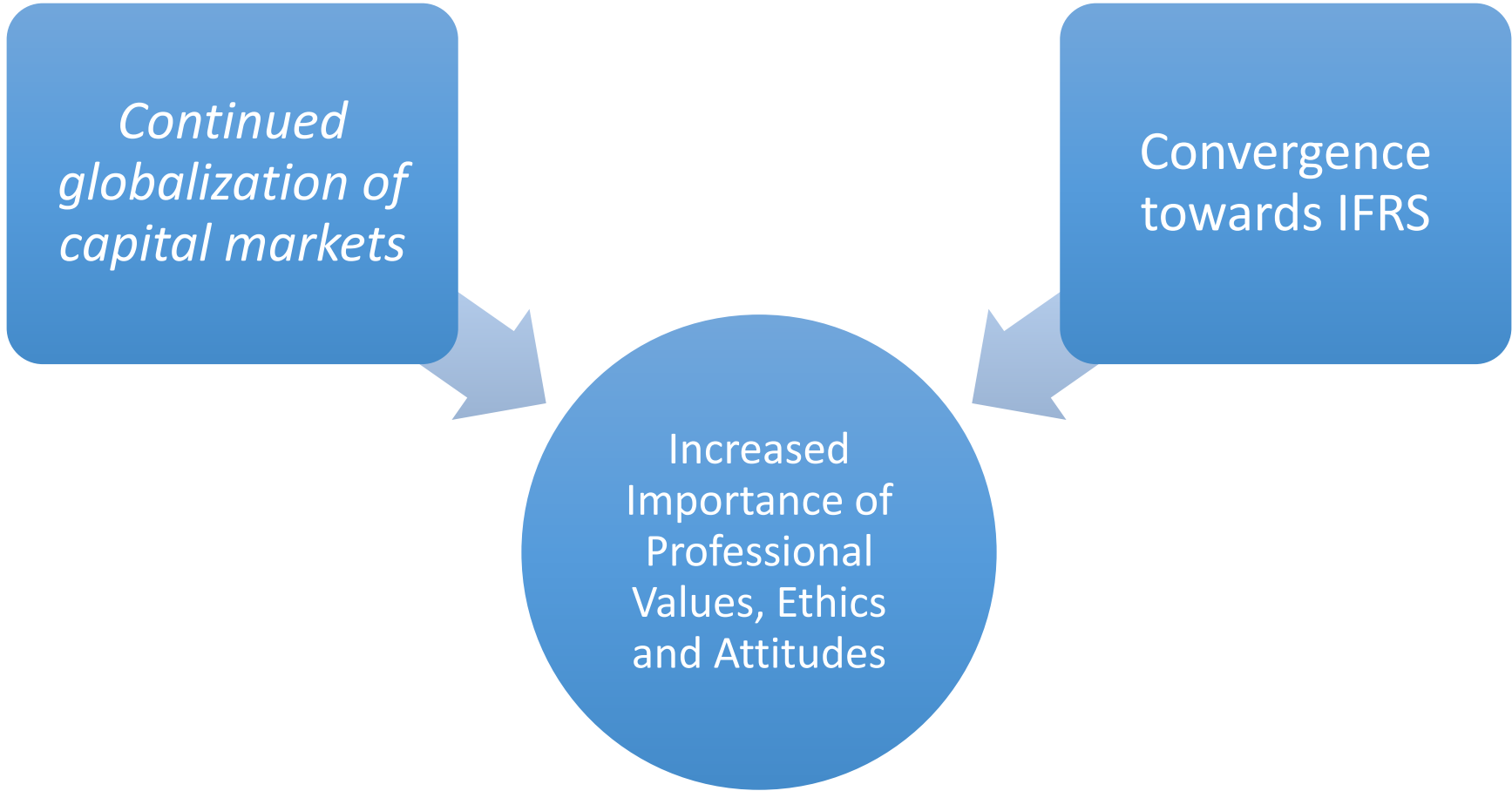
What is the IAESB mandate?

IAESB

- Serves the public interest by establishing standards in the area of professional accounting education
- Prescribes technical competence and professional skills, values, ethics, and attitudes.
- Enhances education by developing and implementing International Education Standards™ (IES™), which increase the competence of the global accountancy profession—contributing to strengthened public trust.



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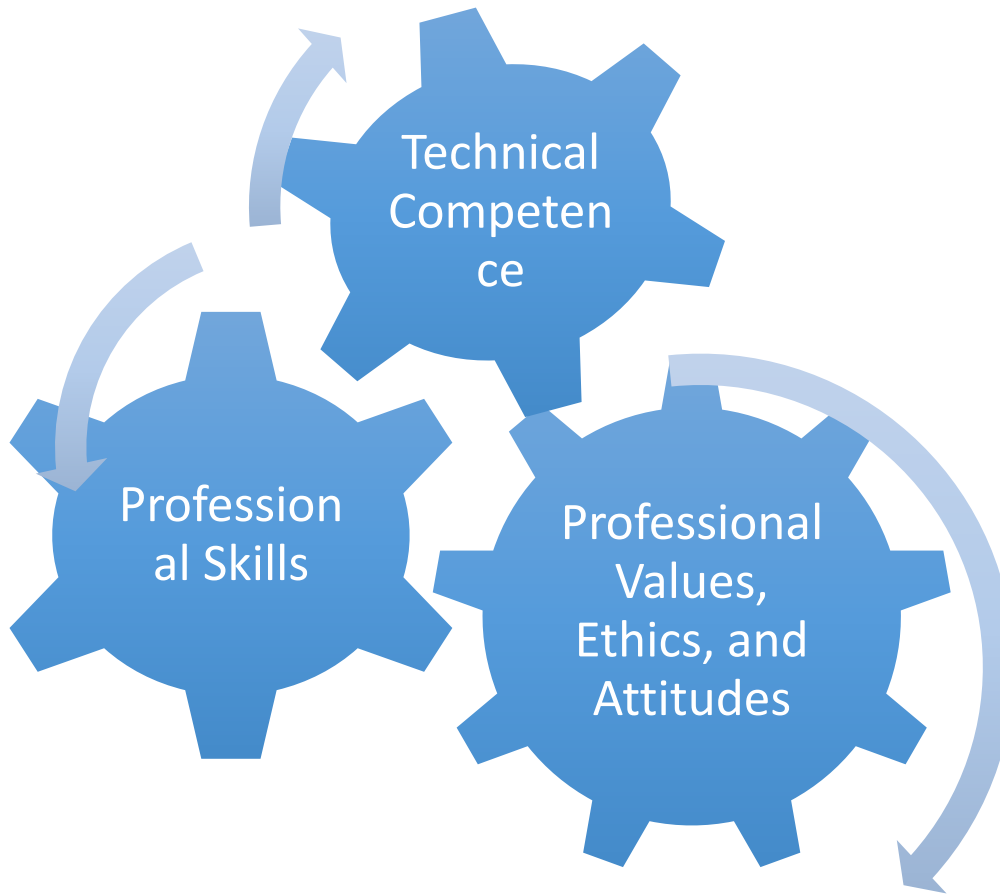




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Professional Competence





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Professional Values, Ethics, and Attitudes

Professional
Skepticism &
Judgment

Ethical Principles

Commitment to Public
Interest

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Corporate Scandals & Professional Accountants

- *In recent decades, major corporate scandals around the world have almost always been associated with misuse of entity resources and manipulation of financial statements.*
- *A primary reason for professional accountants failing to perform their roles is that they did not apply professional values, ethics and attitudes as part of their work.*
- *The Satyam case in India:*
 - *Chief Internal Auditor was not independent in performing his duties;*
 - *Chief Executive Officer (and Chief Internal Auditor) collaborated in manipulation of key documents;*
 - *External auditor did not always apply professional skepticism when questioning the integrity of confirmation responses received from Satyam or following-up directly with third-parties.*



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Improving and Maintaining Competence

Constant change in relevant environment: public expectation, **globalization, accounting standards**, advances in technology, business complexity, societal changes

Need to develop and maintain professional competence

Satisfy users' needs which contributes to an efficient economy and value to society



Capital market: Enable the Separation of Ownership and Control of Capital

More efficient capital allocation

Increases the risk of wealth expropriation of public shareholders by 'insiders' who have control of the capital

Globalization increases the benefits as well the risk

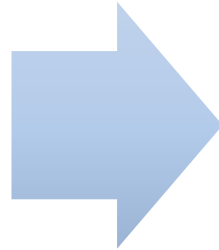


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Role of Professional Accountants: Help Build Investor Confidence in Capital Market

Technical competence, combined with application of professional skepticism, ethical values and a commitment to public interest



Design and implement sound internal controls to prevent misappropriation of an entity's resources or fraudulent financial reporting



The role of professional accountant: Reduce the risk of Principle-Based Approach

The application of professional skepticism and ethical skills

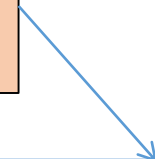
Global convergence to IFRS which adopts the principles-based approach



The use of the principles-based approach relies heavily on professional judgment

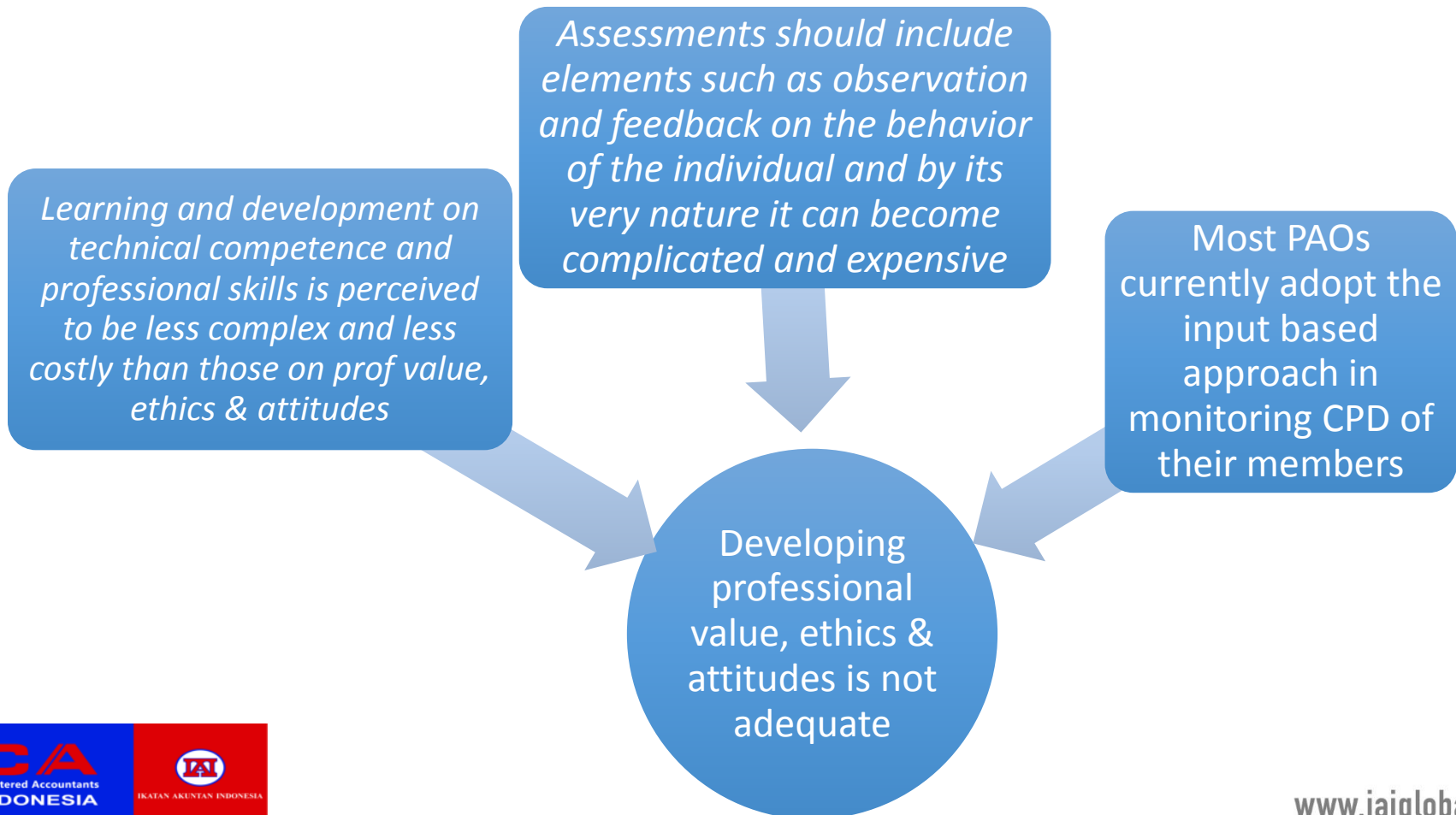


Insiders can use professional judgement to opportunistically manipulate the financial statements





Challenge: Insufficient development of professional value, ethics & attitudes





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Improving Professional Values, Ethics & Attitudes

- The **curriculum** of professional accounting education programs: integrate and complement technical competence with, professional skills, values, ethics and attitudes.
- The **assessment** of the achievement of professional competence: not be overly reliant on exams but also on other assessment methods
- **Practical experience** requirements: PAOs are able to effectively evaluate whether aspiring accountants have demonstrated exercise of professional values, ethics and attitudes in an applied context.
- **CPD** programs: put more emphasis on developing professional values, ethics, and attitudes; transformed from using metric-based 'input' approaches to methods that focus on self-assessment, feedback on the application of learning, or reflection.



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Thank You

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