

STANDARDS OF PROFESSIONAL PRACTICE

FOREWORD

- 1 The International Federation of Accountants ('IFAC') is developing and enhancing co-ordinated worldwide standards for the accountancy profession. CIPFA, as a member of IFAC, is committed to supporting the Federation's broad objectives. One way in which the Institute supports this is by producing Standards of Professional Practice ('SoPPs') for the guidance of its members. For the purposes of this document, **members** are defined as '**Institute members, students and diplomates**'.
- 2 In recognition of the importance of such standards, CIPFA requires all members to comply with each SoPP that regulates an area of their work. **Failure to comply with any relevant SoPP may be regarded as grounds for disciplinary action under the Institute's by-laws.**

BACKGROUND

- 3 One of the key responsibilities recognised by IFAC and its member bodies is the acceptance of the public-interest responsibility of the accountancy profession, defined as '*the collective well-being of the community of people and the institutions that the professional accountant serves*'. In support of this responsibility, CIPFA's Standard of Professional Practice on Ethics states that professional accountants have a responsibility to uphold the public interest when carrying out their duties.
- 4 These SoPPs set standards with which members are required to comply in order to uphold the public interest, ensure the integrity of the work for which they are responsible and to discharge their professional obligations. They are concerned both with professional competencies and with working methods, practices and procedures. As such, they apply to all CIPFA members working in any sector of the economy. Similarly, these SoPPs apply to all members involved with **any** business structure (e.g. charity, joint venture, local authority, partnership, health body, government department, agency), referred to within these SoPPs as an 'organisation'. Finally, they apply to members working in any country; and in that context, the principles of Appendix A11 of the SoPP on Ethics apply equally to each of the SoPPs herein.
- 5 CIPFA has undertaken that its members will adhere to the standards of the Accounting Standards Board ('ASB') and the Auditing Practices Board ('APB'). In addition, there are other standard-setting bodies (and other types of standards) which need to be observed as the occasion arises. Examples are listed in the Appendix.
- 6 CIPFA cannot require organisations to comply with these SoPPs. However, organisations have a direct interest in fulfilling their public-interest responsibilities and in attaining high standards of financial administration. Therefore, it is hoped that all public-services organisations will wholeheartedly and publicly commit their support to their CIPFA members in applying them.
- 7 Members should use their judgement as to the best way of assisting organisations in meeting that objective, bearing in mind the information and resources available to the organisation. Members' judgement will take account of statutory requirements, relevant technical standards and professional requirements, as well as the objectives of the organisation.

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- 8 Members should bring to the attention of their organisations a situation which would result in their being unable to meet one or more SoPP(s). In the event that members feel unable to comply with the principles of any SoPP because of the attitude or circumstances of the organisation, they should formally notify their manager and/or director of finance (or equivalent). If the matter is not resolved by this means, members should consult with CIPFA.

STANDARD OF CARE

- 9 The key principles described in these SoPPs apply to all members (irrespective of seniority within their organisations) when they carry out the tasks and responsibilities covered by the SoPPs. The SoPPs use the generic term '**director of finance**' where the ultimate responsibility for a particular task (aspects of which may be delegated) usually resides with the most senior finance employee within an organisation. In particular, 'director of finance' is used in the context of *responsibility*, while 'member' is used in the context of personally undertaking a duty. **However, the need to exercise due care in carrying out the associated professional or delegated tasks applies to all members involved in the process at whatever level in the organisation.**

- 10 CIPFA recognises that some members, in particular students and recently qualified members, may have less expertise in the areas covered by the SoPPs than members with more experience and seniority. However, acceptance of work of a particular level of complexity or responsibility implies an acceptance to be judged by the appropriate standard laid down by the SoPP, regardless of a member's seniority.

- 11 In recognition of this principle, the Institute Council makes the following statement:

All CIPFA members undertaking any professional task shall at all times work to the standards set out in all SoPPs (including the SoPP on Ethics) relevant to the task(s) being undertaken. When members recognise that a task is beyond their experience, technical competence or capability, they must seek appropriate help, advice and guidance from their manager and/or director of finance. The director of finance should take all reasonable steps to ensure that members are appropriately trained for the task(s) to be carried out, are aware of their limitations and of the means of seeking help in case of need.

Nevertheless, all members must take it upon themselves to recognise their individual levels of knowledge, experience and competence and to refrain from undertaking any work that would not comply with the key principles described in these SoPPs.

- 12 CIPFA recognises that the ability of members to effectively discharge their duties is not always wholly within their control. In recognition of this constraint, these SoPPs use 'ensure' where the ability to perform is (or should be) wholly within the control of members, and 'take all reasonable steps to ensure' where members normally would need to rely at least in part on the actions of others to perform their duties.

- 13 Members will, of course, from time to time encounter situations not specifically addressed in a SoPP. This is inevitable in a profession providing such a diversity of financial and accounting services. In such an event, members are advised to use their judgement and to seek appropriate advice in applying the fundamental principles of each SoPP to the particular circumstances of the case. The absence of detailed guidance in a SoPP to a specific situation would not of itself constitute a valid defence against a disciplinary charge brought by the Institute under the relevant byelaws. Neither is the guidance a definitive statement of proper practice that must be followed in all circumstances; it suggests the areas that should normally be considered.

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- 14 Other bodies which set standards applicable to some or all members, and the types of standards that they set, are outlined in the Appendix.

GENERAL PRINCIPLES

- 15 Members should ensure that they:
- 15.1 Conduct business lawfully, fairly and responsibly.
 - 15.2 Do not use any information for personal benefit or gain.
 - 15.3 Maintain the confidentiality of information except where there is an over-riding legal or professional duty to disclose.
 - 15.4 Provide timely advice with due care and diligence.
 - 15.5 Adhere to the financial regulations of their employing organisations.
 - 15.6 Recognise and act on the need for effective internal controls to provide accountability.
 - 15.7 Keep records which meet legal and audit requirements.
 - 15.8 Deal promptly and impartially with complaints.
- 16 Where members use professional advisors, the final responsibility for discharging professional responsibilities rests with the member.

FORMAT OF THE SOPPS

- 17 Each SoPP comprises three parts:
- A **Foreword**, setting out the context in which the SoPP is operating.
 - An **Introduction**, showing:
 - Applicability
A description of which members are the main focus of the SoPP (to be read in conjunction with the section 'Standard of Care' at page 2), and
 - Scope
An indication of the breadth of the SoPP (including relevant definitions);
these sections being in each case a *supplement* to the general principles laid out in paragraphs 1-16 above.
 - Objectives
This section sets out the main objectives of the SoPP.

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- A set of **Key Principles**: in order to achieve the SoPP objectives, members must observe and be seen to observe a number of fundamental principles. These are each accompanied by Guidance Notes to give depth and clarity to those principles.
- 18 To summarise: any SoPP comprises the general statements in paragraphs 1-16 above together with the particular statements of that SoPP.

EFFECTIVE DATE

- 19 These SoPPs supersede any previous SoPPs published by the Institute covering these subject areas. They should be read in conjunction with CIPFA's Standard of Professional Practice on Ethics (December 2000) and are effective from 12 September 2002.