

15 July 2011

Mr. David McPeak
Senior Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West, 4th Floor
Toronto, Ontario
M5V 3H2 Canada

Dear Mr. McPeak:

Proposed Revised International Education Standard 4 - Professional Values, Ethics and Attitudes

Ernst & Young Global Limited, the central entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the proposed Revised International Education Standard 4 (the Standard), issued by the International Accounting Education Standards Board (the Board).

Overall comments

We support the efforts of the Board to set requirements for IFAC member bodies to impose on their members before they qualify as professional accountants.

We are in general agreement with the Standard. However, our preference would have been for the Standard to not only deal with the ethics skills required of professional accountants, but to more broadly address the whole spectrum of non technical skills. We find it somewhat artificial to separate skills such as communication, analytical skills and empathy from Values, Ethics and Attitudes because the effective application of Values, Ethics and Attitudes requires some of these other skills. In addition, considering the whole spectrum of non technical skills would clearly assist in articulating the three dimensions of competence: Knowledge (primarily addressed in IES 2), Skills (primarily addressed in IES 3) and Attitudes (which could have been comprehensively addressed in this Standard).

We also question why the section of the IESBA Code of Ethics dealing with accountants in public practice is not referred to in the Standard, given that it includes several important topics, such as conflicts of interest and independence. We understand, however, that this may be more appropriately dealt with in other IESs directly related to accountants in public practice, such as IES 8. We therefore encourage the Board to consider such concepts in due course.

Responses to the specific questions on which the Board is seeking feedback are set out in Section 1 below. Our other comments, including general editorial comments, are set out in Section 2.

1. Specific questions related to the proposed revisions to the Standard

Question 1: Is the proposed requirement for reflective activity in relation to ethics education appropriate?

Yes, we find this requirement to be appropriate. Behaving in an ethical manner is primarily a practical thing, where experience plays a central role, as well as drawing lessons from experience. In that respect, requiring that aspiring professional accountants take the time to think about real ethical situations and dilemmas, draw lessons from such reflective activities and also take the time to document such an activity is important to make sure that the resulting thoughts are remembered and fully understood as well as their consequences, at all levels.

Question 2: Does this requirement raise implementation issues?

Yes, it may raise implementation issues. For example, in large organizations, delivering on a large scale individualized development activities is always a challenge. In addition, cultural aspects may be difficult to address in a very diverse organization. Therefore, without losing sight of the ultimate objective and benefit of such reflective activities, some flexibility should be allowed in the way to organize, implement and deliver such development activities.

Question 3: Is the objective to be achieved by a member body, stated in the proposed revised IES 4, appropriate?

The objective, as stated, makes sense for a professional body and, in our view, appears to be both achievable and measurable.

Question 4: Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?

Yes. By stating the expected outcomes using words such as “explain, compare, apply”, the Standard clarifies what the development activities should provide and does this much better than by merely providing long lists of topics, avoiding unnecessary details and esoteric vocabulary. The sentences are clear and short and provide enough direction without requiring too many detailed procedures. It makes the result of the development activities around the topics of Values, Ethics and Attitudes concrete and easy to figure out and as such will certainly result in much more consistent results across member bodies.

Question 5: Are there any terms within the proposed IES 4 which require further clarification? If so, please explain the nature of the deficiencies.

We have not identified any such terms.

2. Other comments

We offer the following drafting suggestions for your consideration:

- Paragraph 10: we suggest deleting the sixth bullet, because the eighth bullet is broader and encompasses the concepts outlined in the sixth bullet..
- Paragraph 12: we recognize that competence is at the heart of IESs; however, in this paragraph and as it relates to Values, Ethics and Attitudes, "...processes that measure competence in relation to professional values, ethics and attitudes" does not seem right; therefore, we would suggest "... processes that measure the application of appropriate values, ethics and attitudes by professional accountants".
- Paragraph A2: we would change "..... of a profession" to "... of the profession".
- Paragraph A6: the first sentence indicates that professional values, ethics and attitudes are pervasive to a professional accountant's activities, which we agree with; however, the example in the second sentence of the paragraph does not clearly illustrate that point and we suggest that another example be provided, for example, in respect of other team members, client interviewing, or other such activities.
- Paragraph A11: In the second and third line, we suggest the following change: ...and potential dilemmas for ~~the~~ aspiring professional accountants...

We would be pleased to discuss our comments with members of the Board or its staff. If you wish to do so, please contact Karen Golz (+1 212 773 8001) or Dan Montgomery (+1 216 583 2949).

Yours sincerely,

Ernst & Young Global Limited