



*European Federation of Accountants and Auditors for SMEs*

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West, 4th Floor  
Toronto, Ontario  
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CANADA  
Brussels, 15 July 2011

Dear Sir

### **Exposure Draft - IES 4, Professional Values, Ethics, and Attitudes**

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, and tax and business advice) to SMEs.

EFAA appreciates the opportunity to comment on the Exposure Draft - IES 4, Professional Values, Ethics, and Attitudes.

#### Discussion Questions

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

Reflective activity is defined within the draft IES 4 as “The practice of documenting experiences relating to lessons learned from ethical dilemmas and considering what approach may be taken in the future in similar circumstances can be used by professional accountants at all stages of their careers.”

We believe that the proposed for reflective activity is appropriate to ethics education.

#### **Question 2: Does this requirement raise implementation issues?**

There are many ways in which aspiring professional accountants are able to record reflective activity and the ED clearly sets out some examples in paragraph A17.

We do not believe that this requirement will cause implementation issues but we wonder whether there may be some translation issues with the phrase “reflective activity”.



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

IES 4 states that “The objective of a member body is to prepare aspiring professional accountants for demonstrating the professional values, ethics, and attitudes required to perform the work roles of a professional accountant. This lays the foundation for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant’s career.”

We believe that the objective is appropriate and note the importance of the ethical role of professional accountants who contribute to confidence and trust in the (capital) markets.

**Questions 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?**

We believe that the criteria have been applied appropriately and consistently and should therefore promote consistency in implementation by 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 do not believe so.

**Comments on other matters**

Translation and implementation

Translation and adoption in all countries, including developing countries, would be assisted by the use of plain English. We have further noted some concerns with the phrase “reflective activity” above. That said, we believe that the effective date promoted in the draft IES is reasonable.

International Ethics Standards Board for Accountants (“IESBA”) Code of Ethics (“Code”)

EFAA accepts that the Code is a very important source of reference but we also note that this should not be viewed as the only source of reference. Country specific legislation and regulatory requirements are also of importance and accountants must always act in compliance with these requirements. This is particularly relevant to the statement in paragraph 2 – reproduced below.

*In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of professional values, ethics, and attitudes.*



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If the IAESB's intention is to address other stakeholders then we would suggest that it does so in the knowledge that there may be other ethical requirements that are of equal importance to that of the Code, or may indeed be more stringent than the Code, and such acknowledgement and consideration may serve the public interest.

IESBA SME / SMP Working Group ("WG")

We note that an IESBA SME / SMP WG has been established to consider and recognise the importance of understanding the unique and challenging issues encountered by professional accountants in SMEs and professional accountants in public practice, including SMPs, providing services to SMEs when complying with the Code. We would suggest that IAESB consults with IESBA to consider whether any of the issues identified by this WG or indeed any of the WG's recommendations would impact on this IES or would require further consideration by the IAESB.

I trust that you will find the above comments comprehensive but should you have any questions on our comments, please do not hesitate to contact me.

Yours sincerely,

Federico Diomeda  
Chief Executive Officer