



Tel: +1 212 885 8000
Fax: +1 212 697 5076
@: bdo@bdointernational.com
www.bdointernational.com

BDO International Limited
Contact:
100 Park Avenue
New York, NY 10017-5001
United States of America

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario
Canada
M5V 3H2

E-mail: davidmcpeak@ifac.org

11 October 2012

Dear Sir,

Proposed Revised International Education Standard (IES) 4, *Initial Professional Development - Professional Values, Ethics, and Attitudes (Revised)*

BDO is pleased to have the opportunity to comment on the above exposure draft issued by the International Accounting Education Standards Board (IAESB). We set out below our responses to the IAESB's questions in the explanatory memorandum accompanying the exposure draft.

We support the IAESB's project to redraft and revise where appropriate all of the IES's in accordance with the clarity drafting conventions as set out in the Framework for International Education Standards for Professional Accountants.

Responses to Specific Questions

1. Do you agree with the tabular format adopted for learning outcomes?

Yes, we agree with the tabular format for learning outcomes as set out in paragraph 11, Table A, and which is proposed to be applied consistently across IESs 2, 3, 4, and 8. More generally, we support the move, in this exposure draft, to a learning-outcome based approach, which is more indicative of a principles-based IES. However, we believe it would be beneficial to specify, in more detail, the learning outcomes for each individual competence area for the levels of proficiency up to and including the minimum level to ensure consistency in interpretation from each member body.

It is also our view that the development of an aspiring professional accountant is more reflective of a phased progression, and as such the IES should be mindful of what can realistically be achieved during the IPD period. It would therefore be preferable to encourage and display a graded approach to the proficiency expectations attached to each competence area. This graded approach should align to the phases of the aspiring professional accountant's career and their learning path, beginning with 'foundation' at the onset of the individual's initial professional development (IPD), moving to 'intermediate' during the course of his or her IPD.

2. Do you agree with the competence areas identified for ethics education?

We agree with the three competence areas of professional scepticism and professional judgment, ethical principles, and commitment to the public interest that are identified in Table A for ethics education. These three areas are intrinsically linked to the professional accountant's core principles. The linking of these principles to the competence areas ensures that aspiring professional accountants are educated as to the importance of these areas from the beginning of IPD.

3. Do you agree with the minimum levels of proficiency as identified for each competence area?

We agree with the minimum levels of proficiency as identified for each competence area and the descriptions for each level of proficiency as set out in Appendix 1 of IES 4.

As indicated in our response to question 1, it is also our view that the development of an aspiring professional accountant is more reflective of a phased progression, and as such the IES should be mindful of what can realistically be achieved during the IPD period. It would therefore be preferable to encourage and display a graded approach to the proficiency expectations. This graded approach should align to the phases of the aspiring professional accountant's career and learning path, beginning with 'foundation' at the onset of the individual's initial professional development (IPD) and moving to 'intermediate' during the course of his or her IPD. We believe that 'advanced' will be achieved through experience and continuing professional development (CPD), not IPD, which we believe is in accordance with the proposed IES.

4. Do you agree that the learning outcomes related to professional scepticism and professional judgment identified are appropriate for ethics education?

We agree that the two learning outcomes identified for professional scepticism and professional judgment, while not inherent to the topic of ethics, are appropriate for ethics education. We note that these two topics are of critical importance to the professional accountant and believe they complement the topic of ethics.

5. Does Appendix 1 of the proposed IES 4 Exposure Draft provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 11 of the proposed IES 4 Exposure Draft? If not, what changes do you suggest?

We believe Appendix 1 provides reasonable clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 11.

6. Are there any terms within the proposed IES 4 Exposure Draft which require further clarification? If so, please explain the nature of the deficiencies.

We note that the following phrase is potentially subject to diverse interpretation:

- Public interest - what constitutes public interest can be subjective depending on the individual's point of view; therefore further clarification on the Board's interpretation would be useful.
- Professional competence - we are concerned that the concept of professional competence included in IES 4 is being confused with professional competence and due care discussed in the IESBA code of ethics. We believe that this should be further clarified to avoid any ambiguity or confusion.

7. Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the new requirements included in this proposed IES 4 Exposure Draft?

As an international network of independent member firms, the impact of implementation on our network is likely to be minimal due to the fact that we require our member firms to be members of professional bodies and ensure that the accountants that they employ are sufficiently qualified and trained, which includes covering training on their professional values, ethics and attitudes. However, we acknowledge that the clarification of this IES is of paramount importance as ethics and ethics education underpins the wider

profession and, as such, directly impacts our ability to positively impact the markets as well as to protect the public interest via the services we provide.

We have set out below some additional comments to support the requirements being applied consistently and as intended.

Other comments

Paragraph 13

As noted in our comment letter date 15 July, 2011 on the earlier (March 2011) IES 4 exposure draft, we believe that this paragraph could be read to imply that the requirement for IFAC member bodies is to 'design' learning and development activities. This might be impractical for a number of reasons, but primarily due to the associated responsibility in respect of:

- the setting of content;
- determination of modules of learning;
- development of curricula; and
- creation of learning materials.

Some or all of these aspects of design may be outside the control of the member body, however there is no mention of this in the explanatory materials. We believe that further guidance should be provided to member bodies in terms of their precise requirements, particularly bearing in mind that designing materials may be onerous for member bodies in developing parts of the world or where member bodies have limited resources. We recommend that the IES clarify that providing training is not necessarily the role of IFAC member bodies; rather, their role is to set the requirements and overall guidelines (for example, curricula) for training providers but they are not required to be the training providers subject to any local laws and regulations requiring this.

Reflective activity (paragraphs 13, A30-A34)

Our understanding of this requirement for IFAC member bodies to include formalized and documented reflective activity in their designing of learning and development activities on professional values, ethics, and attitudes raises the question as to whether or not it would be recommended that a mentor or supervisor review the reflected-upon situations or related documentation with the aspiring professional accountant. Paragraph A34 indicates that IFAC member bodies 'may also consider providing guidance on how to support reflective activity in practice for those responsible for supervising the practical experience of aspiring professional accountants' but this appears to indicate that it would be acceptable for an IFAC member body to provide no guidance in this area. We believe that because reflective activity is at present a relatively unfamiliar concept in the context of being a learning and development area, and not yet widely implemented in practice in this context, particularly with respect to being 'formalized and documented' as per paragraph 13, that consideration should be given to paragraph A34 including stronger language than 'may consider.'

Furthermore, although we support the use of the 'formalized and documented' language, its use raises issues that require further consideration, such as:

- the acceptability of exclusively using one or two methods (e.g. case studies, attendance at seminars) versus encouragement of use of a variety of methods (e.g. including real life experiences);
- the rigor of the process for verification of reflective activity; and
- whether it is recommended for a mentor or supervisor to view the documentation or whether it is equally acceptable for the professional to simply provide an affirmation directly to a member body, mentor or supervisor.

In addition, while we acknowledge that significant progress has been made in this area since the previous exposure draft, we believe that a stronger definition of reflective activity is needed, perhaps to include specific examples of what is and is not acceptable within the Explanatory Materials.

In relation to paragraph A33, we request that the last sentence has ‘...as part of an IPD requirement’ appended to it. Certain sensitive situations in member countries require documentation for regulatory purposes, disciplinary matters, etc. and as such documentation and discussion is required; however these may be inappropriate for use as IPD. We believe it is important to clarify the difference for the users of this standard.

Editorial (Appendix 1)

We recommend that the verb tense in this appendix be changed to the indicative (e.g. “Learning outcomes will focus on the ability to define...” rather than “Learning outcomes will focus on the ability to defining...”).

Comments on other matters

As noted in our comment letter on the earlier IES 4 exposure draft, we would support the development of an electronically integrated set of IESs which when linked directly to the glossary would enable the user (online or offline) to navigate successfully the suite of IESs. This would remove the need for the placing of occasional definitions in the text of each IES and would also enable the user of each IES to have an immediate source of information rather than having to seek out a glossary.

We would also support continuing efforts to improve the availability of translations in respect of exposure drafts and final pronouncements.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Wayne Kolins
Global Head of Audit and Accounting