

October 8, 2012

Senior Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West  
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Dear Mr. McPeak

We appreciate this opportunity to comment on the Exposure Draft of the Proposed Redrafted International Education Standard 4 Initial Professional Development - Professional Values, Ethics, and Attitudes, (IES 4). We fully support the IAESB's decision to re-expose IES 4 as a part of the Board's ongoing project to improve the clarity of its Standards, and believe the opportunity for respondents to comment on IES 4 in the light of other related exposure drafts (in particular IES 2 Initial Professional Development – Technical Competence and IES 3 Initial Professional Development – Professional Skills) is important. We commend the IAESB in the work they have done on IES 4 to date.

### **General Comments**

We note that one of the reasons for re-exposure is the Board's approach to improving the consistency among IESs 2, 3, 4, and 8, which has resulted in a number of structural, formatting and content changes in the revised standard. We fully support the Board in this drive to ensure consistency across these related standards and believe this will aid understanding and implementation.

We do however believe this also highlights a missed opportunity for the Board to consolidate and therefore rationalize the body of standards. We note there is now a significant degree of consistency in the requirements and explanatory material presented across the exposure drafts for IESs 2, 3 and 4, with the main content difference being the learning outcomes presented. In our view this demonstrates that consolidation of these three standards into a single standard setting out the learning outcomes required for IPD would now be relatively easy to achieve. A consolidated standard would provide IFAC member bodies with a clearer, more streamlined approach to identifying and understanding the requirements for professional accounting education in IPD. It is disappointing that the Board has not taken advantage of this opportunity.

## Specific Questions

With respect to the specific questions outlined in the Explanatory Memorandum to the Exposure Draft our comments are as follows:

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

Yes, we agree with the tabular format adopted.

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

Yes, we agree with the competence areas identified for ethics education

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

Minimum proficiency levels are established for a competency area, and within each competency area a number of learning outcomes are set out. We therefore assume the Board's intention is to indicate that each learning outcome within that competency area has the same minimum proficiency level. Clarity would be improved if this was made explicit.

Some learning outcomes relate to demonstration of knowledge acquired – for example the learning outcomes for (b) (i) and (b) (ii). For these types of learning outcomes we would expect the level of proficiency to be higher than Intermediate level.

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

Yes, we agree that the learning outcomes related to professional skepticism and professional judgment are generally appropriate, however we have the following specific observations:

- Professional skepticism - we observe that the learning outcome for professional skepticism requires the application of a 'skeptical mindset'. In our view this self-referencing is unhelpful and we suggest the Board consider changing this to a 'questioning mindset' consistent with the definition of professional skepticism.
- Professional judgment – we observe that the learning outcome focuses specifically on the evaluation of 'reasonable alternatives'. We believe this may be limiting, as not all situations where professional judgment is exercised will involve the evaluation of alternatives.

**Question 5: Does Appendix 1 of the proposed IES 4 Exposure Draft (June 2012) 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 (June 2012)? If not, what changes do you suggest?**

We will provide detailed feedback on Appendix 1 in our comment letters on IES 2 and IES 3 once we have had the opportunity to evaluate the impact of that Appendix on all the relevant standards.

**Question 6. Are there any terms within the proposed IES 4 Exposure Draft (June 2012) which require further clarification? If so, please explain the nature of the deficiencies?**

We note that the Board has introduced the term ‘relevant ethical requirements’ into the proposed IES 4, and defines these as ‘the ethical requirements to which professional accountants are subject, which ordinarily comprise Part A of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), together with any national requirements that are more restrictive.’ In IAASB pronouncements the term ‘relevant ethical requirements’ is also used, but is defined to include both Part A and Part B of the IESBA Code. We believe the Board should reflect on the applicability of both Part B (Professional Accountants in Public Practice) and also Part C (Professional Accountants in Business) of the IESBA Code to the work of professional accountants, and consider if it is more appropriate to suggest they are also part of ‘relevant ethical requirements’ during IPD,

Also in relation to this definitional issue, we note that elsewhere in the proposed standard (paragraph A1) the Board has taken a deliberate approach to use consistent definitions for terms which are used elsewhere in the body of IFAC pronouncements. In light of this, we recommend that the Board reconsiders their approach to the definition of ‘relevant ethical requirements’.

The term ‘social responsibility’ is used in paragraph 11, learning outcome (c) (i). This term is open to range of interpretations in relation to the role of the professional accountant, and is a subject of ongoing public debate – for example on the merits of providing tax avoidance advice. We recommend the Board consider carefully what is intended in the use of this term, and consider providing further explanatory material on this concept.

We also note that the proposed Exposure Draft uses a variety of different terms to refer to matters of an ethical nature throughout the standard, including:

- Paragraph 4 - fundamental principles of professional ethics
- Table A - ethical principles, role of ethics, fundamental ethical principles, ethical dilemmas
- A2 – “principles of conduct” referred to as ethical principles
- A3& A20 – ethical behavior
- A14 – ethical implications of problems being discussed in study of other subjects
- A22 – ethical implications and potential conflicts
- A24 – ethical concepts, ethical theories, fundamental principles of professional ethics, ethical issues
- A27 – ethical issues and potential dilemmas, ethical aspects of a course of action
- A33 – ethical situations

- A37 – ethical analysis and decision making

We believe this diversity of terminology is unhelpful, and recommend the Board review the standard for consistency and clearly define the terms it wishes to adopt for use in the standard.

**Question 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 (June 2012)?**

We believe there is likely to be an impact on the Deloitte network in some of our member firms who operate in jurisdictions where the current structure and content of IPD for aspiring professional accountants does not meet the standard required by the proposed IES 4 (revised). The impact will be on our more junior staff levels in these jurisdictions as they are typically working with Deloitte while completing IPD. It may also impact those who are responsible for supervising their work during this time. The nature of the impact is likely to be in extended study and more specific requirements during practical experience gained during their work with Deloitte. The extent of this impact is difficult to assess since the changes to IPD will be largely driven by the relevant IFAC member body in that jurisdiction and will therefore vary considerably across our network.

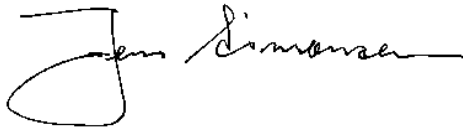
We also believe that generally for organizations applying the revised standard it will be important that IES 4 is released at the same time and with the same effective date as IES 2 and IES 3.

**Other comments**

We also have the following additional comments related to specific paragraphs of the draft standard:

Paragraph	Comment
Paragraph 4	<p>This paragraph states that ‘These requirements ordinarily set out five fundamental principles of professional ethics...’</p> <p>We are unclear on the need for the use of the term ‘ordinarily’ – the definition of ‘relevant ethical requirements’ references Part A of the IESBA Code, which, as a matter of fact sets out the five fundamental principles, The term ‘ordinarily’ would appear to be superfluous and could be removed.</p>
A1	<p>We commend the Board for the practical approach taken in using the existing definitions for professional judgment and professional skepticism from the IAASB’s Glossary of Terms.</p> <p>We do, however, believe that the final sentence in the paragraph below Table B could be more clearly stated. In particular it would be helpful to provide further clarification on what is meant by the phrase ‘the broader context of the role of a professional accountant’.</p>
A16	<p>This paragraph provides examples of accounting roles where further specialization may be appropriate. We note that the examples provided include only on roles in public practice. We recommend the Board expand the range of examples provided to include examples of roles for professional accountants in business.</p>

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens L. Simonsen". The signature is written in a cursive style with a large, stylized initial "J" that loops back under the name.

Jens L. Simonsen  
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