

(By email to Edcomments@ifac.org)

11 October 2012

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017
U.S.A.

Dear Sir/Madam

**COMMENTS ON THE EXPOSURE DRAFT OF INTERNATIONAL EDUCATION STANDARD 4:
PROFESSIONAL VALUES, ETHICS AND ATTITUDES**

This comment letter has been prepared by the Education Committee (EDCOM) and the Committee for Auditor Ethics (CFAE) of the Independent Regulatory Board for Auditors (IRBA) of South Africa.

The IRBA is a statutory body charged with the regulation of the audit function in South Africa in terms of the Auditing Profession Act 26 of 2005. In carrying out its duty the IRBA prescribes the education and training requirements for registration as a Registered Auditor (RA) and accredits professional bodies to conduct certain programmes relating to education, training and assessment. The IRBA retains the final test of professional competence at entry to the audit profession. The Committee for Auditor Ethics establishes the IRBA Code of Professional Conduct for Registered Auditors and Rules Regarding Improper Conduct. The Committee for Auditor Ethics has the responsibility for establishing the IRBA *Code of Professional Conduct for Registered Auditors* and *Rules Regarding Improper Conduct*. The IRBA is also the National Auditing Standard Setter and in 2005 adopted, and continues to prescribe, the IAASB International Standards for use by registered auditors. Consequently we believe the IRBA has an understanding of, and appreciation for, the potential practical implications of the proposed IES 4 *Professional Values, Ethics and Attitudes*.

Although the IRBA is not a member body of IFAC, it is informed by the IFAC International Education Standards in determining its policies relating to, education, training, development and assessment of competence. Reliance on these standards provides a point of common reference in the IRBA's relationship with accredited professional bodies.

OVERALL COMMENTS

The IRBA welcomes the following:

- new content added to provide learning outcomes and proficiency levels for professional judgment and professional scepticism;
- a new requirement added for member bodies to regularly review their professional accounting education programs to reflect a rapidly changing, complex environment; and
- material that clarifies reflective activity, aspiring professional accountant, professional competence, competence areas, and professional values, ethics, and attitudes.

The IRBA however believes that to measure and assess professional values, ethics and attitudes to specific levels of proficiency is very difficult and is of the opinion that it would be helpful if there was support on the development of what is regarded as *appropriate assessment activities*, particularly within the context of integrated assessments.

RESPONSE TO SPECIFIC QUESTIONS

Question 1:

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

Response:

Yes, we agree with the tabular format adopted.

Question 2:

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

Response:

Yes, however, The IRBA is of the opinion that the following learning outcome should be included:

Understand the 'conceptual framework' approach in order to identify threats and implement sufficient safeguards to mitigate the threat. [Suggested level for this outcome – intermediate, i.e. with some practical experience and supervision].

Question 3:

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

Response:

Yes. The minimum levels of proficiency identified are appropriate given that most professional accountants would have experienced some level of training in the work place and would have worked under supervision.

Question 4:

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

Response:

Although the outcomes cover the core principles of professional judgement and professional scepticism; a sceptical mind-set, critical thinking, awareness and being alert, ethics education relates to much more than the critical assessment of financial information and data. It also relates to interpersonal relationships and other environmental observations. We suggest that the outcome be adapted to include a broader view inclusive of the business environment, risk assessment, decision making, management and leadership.

Questions 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?

Response:

It does provide some clarification of terminology as it refers to levels of ambiguity, complexity and uncertainty. However, it is doubtful that it will promote consistent interpretation and application of the outcomes across the various jurisdictions. Additional guidance in the form of examples may be helpful in this regard.

Please review the lead-in sentence for each level of proficiency as the use of “to” [infinitive verb] cannot be used in front of verbs ending in “ing’ [nouns or adjectives].

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?

Response:

No, the terminology is clear for our purposes and functions. However, it is unclear how consistency across member bodies with regards to implementation will be achieved.

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)?

Response:

None.

Additional comments

- **Competence area (c) Commitment to the public interest.**

It is proposed that this section be re-named; "Applying ethics in the public interest". Each of the outcomes listed under this heading refer to ethics in terms of a professional accountant's social responsibility, governance, legal requirements and the consequences of unethical behaviour. By using the heading "Applying ethics in the public interest" the scope of what is required of a professional accountant is limited to the professional accountant's sphere of influence. It is our opinion that the heading "Commitment to the public interest" may be too broad.

- **Learning Outcome (iv) under Commitment to the public interest**

This outcome should require more than just "compare" the consequences of unethical behaviour. It is our opinion that professional accountants should be able to identify and evaluate the consequences of unethical behaviour.

We thank you for the opportunity to comment on IES 4.

Yours sincerely

Sandy van Esch

Director: Standards