I. General Statements of Support of Note

Comment

ICAI
Whilst we have no specific comments to make on the content and form of the document we wish to record are support for the proposals as we believe they will be of considerable assistance to professional bodies in developing their education programmes to ensure that a proper knowledge and understanding of ethical principles and behaviour becomes part of the students training and examination process.

EY
We support the efforts of IFAC’s Education Standards Board to formulate recommendations and guidelines on how education can support professional values, ethics and attitudes among professional accountants. As outlined in the IFAC Code of Ethics for Professional Accountants, these are critical elements to keep quality at the highest standards and to maintain the public trust in the accounting profession. It is necessary to recognize, however, that teaching these subjects is much less straightforward than teaching more “technical” content because of the subjective nature of the content and its application.

In general we agree with the proposed Statement. However, we have certain suggestions regarding reorganization and other clarifying changes, which are set out below.

LB
My comments will be brief because I find that I am in agreement with the draft and want to commend the author, Professor Philomena Leung, and the others involved in an excellent effort that should prove most useful.

AAT
We welcome IFAC’s focus on ethics education as this is clearly now a critical area for all those involved in the education and developments of accountants at all levels, both pre and post qualification. The AAT welcomes the opportunity to comment on this exposure draft and feels that this area is as important for technician level staff as for senior level accountants.

APESB
The APESB is pleased that the International Federation of Accountants (IFAC) has issued an exposure draft on this important and timely subject.

There is a public perception that it may no longer be acceptable for professional accounting bodies to issue codes of ethics in the expectation that accountants will thereby know how to meet their professional and ethical obligations.

It is our belief that an independent body established to set and possibly monitor ethical and professional standards will reduce the potential for, and perception of, conflicts of interest between standard setters, accounting practitioners, auditors, reporting companies and the corporate regulators.
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<tr>
<th>Comment</th>
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<tr>
<td>Allen</td>
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<td>ACCA</td>
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<td>PWC</td>
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<td>CIMA</td>
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II. General Statements of Concern and Related Matters for Consideration

Respondent’s Comment

AAT
We note that the IEPS recommends an Ethics Education Framework (EEF) encompassing four stages on a leaning continuum. We agree that enhancing ethical knowledge, developing sensitivity, improving judgement and maintaining an ongoing commitment are important. However, in our view, Stage 2 (developing ethical sensitivity) as defined within the EEF lacks clarity of distinction, arguably from Stage 1 or Stage 3. If the Board wishes to maintain the four stage approach, we recommend that Stage 2 is more clearly defined. Alternatively, we believe that Stage 2 could be incorporated within either Stage 1 or Stage 3. If Stages 1 and 2 were combined, the new stage could perhaps be titled Developing an awareness of professional ethics.

AICPA
We recommend the addition of another approach that would be to include “any approach that meets the learning outcomes.” This would not restrict the guidance and provide the member bodies with the flexibility to adopt other effective and efficient approaches while remaining in compliance with the spirit of the guidance.

APESB
The APESB supports the idea of a competency-based ethics education framework and the four stages proposed in the exposure draft. However, the APESB raises the following issues.

1. Whereas the four stages appear logical, the APESB is of the opinion that to a large degree, stages 1 to 3 may be better integrated into a model of ethical decision-making;
2. The important concept of ethical courage necessary to apply the model is not directly addressed; and
3. Figure 1 in the exposure draft does not allow recognition of the public interest - attention to which is supposed to lead to independence in thought and action. We question this omission and believe some attention should be given to this important concept.

The APESB recommends that:

- A more flexible approach to implementing the Ethics Education Framework should be adopted
- A problem-based approach to learning ethical decision-making would be more effective, rather than learning ethics concepts, possibly out of context

Staff Comment (where necessary)

Does Stage 2 need defining more clearly?

Isn’t this what we say when we allow member bodies to mix elements of the topic and stage by stage approach? Can we reword this slightly?

Need to include “ethical courage” (also comment from CCAB)

Recognition of the public interest?
• Any formal training in ethics, in the form of a stand alone subject, or integrated with other subjects, should be the subject of formal assessment
• There is a need for some form of ongoing testing of members’ ethical skills
• Workplace learning is valuable if accountants work in a culture supportive of ethical conduct
• Evidence based analysis of the effect of ethics education in accountants’ behaviour be undertaken

Allen
Certainly, the success of pre- and post-qualification efforts by AICPA or other developers of continuing professional education programs as suggested in the IEPS will be largely influenced by whether competencies at stages 1 and 2 are achieved. Therefore, I sincerely hope that universities will be zealous in their implementation of the IEPS guidance and help to establish the foundation upon which the profession may build.

IMA
While the EEF should be applicable to IFAC members in many countries, it is apparent that IMA members in the United States pursue an educational program that may be significantly different from the stages delineated in the EEF.

Since the late 1970s, AACSB accredited colleges and universities have had an ethics education requirement. This requirement may be satisfied either by a stand-alone course or by integration of ethics in business core and accounting courses. The accounting education requirement in the U.S. essentially covers the pre-qualification stages (EEF stages 1, 2, and part of stage 3) as outlined in the proposed IEPS.

As mentioned previously in this letter, the IMA has two certification programs (Certified Management Accountant and Certified Financial Management; or CMA and CFM) and a mandatory continuing professional education (CPE, which is equivalent to the CDP in the proposed IEPS). The IMA’s CPE requirement includes compliance with the IMA’s code of ethics (June 2005) and the annual, two-hour ethics requirement for all certified members (i.e., CMAs and CFMs). The requirements satisfy, if not extend, requirements set forth in the fourth stage of development as in the Ethics Education Framework. Moreover, many IMA members have pursued accounting education studies that included significant coverage of ethics going well beyond the first three stages in the EEF.

It should be emphasized that the IMA’s continuing professional education and ethics requirements do not apply to most of its members. Only certified members are subject to our continuing professional education requirements. However, the IMA does promote continuing professional education in the areas of ethics for all its members. Under the proposal, IMA members would be considered as “qualified members” since most members have completed their formal undergraduate studies and are recognized as professional accountants.

We do recommend that IFAC address the following items in the final statement:
1. Place more emphasis on the role of continuing education beyond formal college and University programs.
2. Clarify the differences in the implementation approaches (topic vs. stage-by-stage) recommended for the Ethics Education Framework.

ACCA

The IEPS is useful in that it gives guidance on both the process and the content of professional ethics education. ACCA is satisfied that the ethics education framework (EEF) is a useful process model for member bodies to work with and welcomes inclusion of the eight subject areas mapped against IES 4 requirements. However ACCA would welcome some more explanation about where these areas originate from, why they were included and perhaps a little more justification of how some of these map across to the IES 4 topics identified.

However, ACCA is of the opinion that the IEPS affords sufficient guidance and flexibility to member bodies about how to deliver ethics education and training within their pre-qualification programmes and post-qualification and is therefore is still a useful supplement for IES 4.

ICAP

Eef is a critical topic for a professional accountant at pre- and post-qualification level in any part of the world. Our pre-qualification should make trainees aware of this reality. The aim is at minimum achievable by integrating eef within our existing core subjects and during practical experience [we surely require a different strategy at post-qualification level]. Introduction of a separate module at near-qualification level, and some topics to study, gives an impression of overkill [if not that of reproduction of what aicpa has done]. A member body should be free to have a full-blown course if one is required, but how can this be equivalent to an integrated approach? The issue is that when you don’t like having one, you don’t have to, and still either approaches [or a cross] would be equally acceptable. How can this be?

The way Statement is being interpreted and implemented by individual member bodies should be a matter of report placed annually on the ifac web-site. The ifac may also consider providing a forum for discussion on this topic on the web, and as well develop and place some learning resources for its members.

CIMA

There is relatively little space given to the needs, responsibilities and opportunities of professional accountants in business, for example, paragraph 47 which assumes a practice based training program and the final table “Ethics Education
Framework Subject Areas” which seems to miss an opportunity to highlight the ways in which professional accountants can influence at organizational and governmental levels.

The stages of the EEF appear to be modelled on a taxonomy of cognitive development and it might be useful to make this explicit if this is the case. If not it might be useful to briefly outline the basis on which the EEF has been developed.

Performance appraisals are suggested as a framework for developing ethical competence in the workplace. More detailed support on how this might be achieved practically would be useful – e.g. a vignette of a performance appraisal incorporating this.

We believe that ethics is best learnt as an integrated topic, a part of the analysis process that forms a consideration of each business case. Therefore we would argue that it is not useful to include a discrete module on ethics as suggested in paragraph 32. Therefore, an approach to managing ethical dilemmas is instilled as a process skill, rather than content knowledge, once the fundamentals of the code of ethics has been grasped.

There could be more emphasis on the idea that good ethics means good business.

**Note:** CGA Canada’s comments were not provided in a form that enabled them to be easily added to this document. Their comment letter will be circulated together with the agenda papers for the IAESB’s February meeting, and is also available at: www.ifac.org/Guidance/EXD-Outstanding.php#0003
### Responses to Specific Questions

1. **Section 2** of the proposed IEPS recommends two approaches to implementing the Ethics Education Framework, and suggests that member bodies may choose to follow one approach or mix elements of both. Are both recommended approaches equally helpful in implementing ethics education programs? Do you have any specific (positive or negative) comments on one or both approaches?

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<tr>
<th>Country</th>
<th>Response</th>
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<tbody>
<tr>
<td>CA Australia</td>
<td>Agree that having two approaches adds flexibility in developing and assessing professional values, ethics and attitudes. Both provide adequate scope and coverage of EEF. The “topic approach” has benefits in pre-identifying 8 consistent areas (noted on page 12) with added value of re-sequencing the subject areas tailored to each member body. The stage-by-stage approach is our preference as this reflects our new program structure. This also adds flexibility to enable the Program to introduce other subjects and so build candidates applied knowledge in various scenarios/situations.</td>
</tr>
<tr>
<td>ICAI</td>
<td>In relation to the questions posed by IFAC we strongly support the optional approach which allows member bodies to choose the methodology best suited to them and their students.</td>
</tr>
<tr>
<td>EY</td>
<td>The proposed Statement describes a “topic approach” and a “stage-by-stage approach” to professional values, ethics and attitudes education. Given that the “topic approach” also states that the first three stages (enhancing ethics knowledge, developing ethical sensitivity and improving ethical judgment) should be covered as pre-qualification for the topics mentioned in IES4 on professional values, ethics and attitudes, we do not see a significant difference in the two approaches. As we have consistently expressed in our previous comment letters on proposed education standards, we always favor an approach in which applicable topics are progressively addressed in education programs that follow the necessary progression in a professional accountant’s roles and required competencies over the course of his/her professional career. As a result, we view education on professional values, ethics and attitudes as a matrix in which topics are addressed in stages, some of which are more relevant at certain stages within an accounting professional’s career, and other more relevant at others. Although this approach is illustrated in Figure 1 and in Appendix 1 “Ethics Education Framework Subject Areas,” the proposed Statement would be improved with enhanced simplicity and clarity. In this regard, distinguishing between the two approaches, which differ only slightly, brings complexity to the proposed Statement.</td>
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</table>

We are concerned with the inclusion of students in the target population for this proposed Statement. We understand and agree that two approaches adds complexity but little value.
that professional values, ethics and attitudes are lifelong topics, and as indicated in the proposed Statement, education around these topics must begin very early in the education of a professional accountant. However, we believe that the proposed Statement should focus on professionals, who are the primary constituency for IFAC’s Education Standards. In addition, education systems and entry points into the profession are very different from one country to another, and introducing students into the scope of the proposed Statement would, therefore, bring added complexity.

As a result, we recommend that the Board delete the references to “students” in the proposed Statement, and that the proposed Statement first define an overall approach to education on these topics and then define a minimum requirement level for the qualification as a professional accountant. Defining the minimum requirements would provide a guideline for national bodies to help define the education programs required necessary for successful completion of their qualifying exams, while the overall approach would serve as a guide for continuous professional development, both before and after qualification.

LB The two approaches are usefully illustrative, and variation is encouraged through the use of a hybrid approach. While the approach to learning is important, the understanding, competencies and attributes (courage, skepticism, etc) developed are most important. I do not think your formulations are too prescriptive to stifle development, and I think both approaches are worthy of inclusion.

APESB It is the view of the APESB that ethical decision-making rather than ethical concepts should be the focus of ethics education. In this way the participant can learn that decisions made always reflect the ethical values at stake.

The APESB contends that a more flexible approach should be adopted as different groups in different contexts may respond better to different approaches.

Allen I favor the Stage-by-Stage Approach over the Topic Approach because it allows for a natural progression in learning from simple to complex over a period of time with each stage building on the earlier one(s). The concept of lifelong learning is pivotal to the proposed approach and the emphasis on assessment, feedback and mentoring in the workplace to develop ethical decision-making and judgment should prove highly effective where implemented. I also firmly believe that ethical role models who supervise workplace activities can further develop and enhance decision-making skills in the post-qualification stage, especially at the early stages of an accountant’s career.

Deloitte We believe the two recommended approaches provide member bodies with an appropriately flexible framework with which to develop
ACCA believes both methods have their merits as methodologies for assessing ethical competence. However, ACCA would suggest that the ‘topic’ approach is more limited in its application than the ‘stage-by-stage’ approach, which seems to be more consistent with the EEF. ACCA therefore believes that use of the ‘topic’ approach alone might be insufficient to support the development and maintenance of professional values, ethics and attitudes, although if a member body were to fully apply the ‘stage-by-stage’ approach, then the ‘topic’ approach would probably be unnecessary. However, the ‘topic approach’ is most useful as a benchmark for ensuring coverage of all the knowledge areas that IES 4 recommends as being necessary in paragraph 16.

ACCA recommends that the most effective way is to use these approaches as complementary methods as it is felt that this will help reinforce ethics and professionalism throughout the educational programme and post qualification at work.

ACCA envisages the ‘topic’ approach being used mainly to support stages 1 and 2 of the ‘stage by stage’ approach through giving students a basic knowledge and awareness of ethical issues, concepts and frameworks and making them aware and sensitive to the ethical problems and dimensions of decision making. ACCA would question whether the topic approach does extend to stages 3 and 4 as written, as these are probably best demonstrated and enhanced through work place learning and experience.

ACCA considers that the ‘stage by stage approach’ is the superior methodology in that it is broader based and explicitly emphasises the concept of ‘life-long’ learning and application in the workplace. It recognises that the student/trainee/professional embarks on a journey of ethical development, acquiring the knowledge, developing the sensitivity through exposure to dilemmas and conflicts, improving their ethical judgement and maturity, to finally inculcating a ‘value set’ to which they will remain committed and continue to act upon in their professional work. ACCA also sees the ‘stage by stage’ approach as a cycle through which students, trainees and members will keep moving, where appropriate new ethical knowledge, insights and experiences create a cumulative effect on the ethical maturity and competence of the professional to make better and more informed decisions and to have the confidence to act and behave responsibly in all situations.

Intuitively ACCA therefore prefers the ‘stage-by-stage’ approach because it implies that ethical development is more than just about learning ethical theories or even developing ethical sensitivity. It requires some exposure to ‘ethical problems’ such as threats, dilemmas and conflicts, initially through simulated assessments, interactive tests and exercises and also by examination during pre-qualification. However, it also recognises that the last two stages must, by implication, be fulfilled through pre-qualification work experience while training and post-qualification when faced with difficult decisions and choices at work.

The last stage recognises that continuing professional development (CPD) should be used as the vehicle for supporting ‘life-long’ learning and development and ACCA agrees that this approach is necessary to maintaining professional values, ethics and attitudes.

ACCA therefore recommends that the ‘stage by stage’ approach is probably more robust, comprehensive and has a better ‘fitness for purpose’ than the ‘topic approach’ used alone.

Stage-by-stage approach preferred – ensures all stages are properly covered. Topic approach tends to support stages 1 and 2.
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<tr>
<th>Organization</th>
<th>Comment</th>
<th>Support</th>
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<tr>
<td>JICPA</td>
<td>We believe that it is preferable for each member body to choose between the &quot;Topic Approach&quot; and the &quot;Stage-by-Stage Approach&quot; which are recommended in this proposed IEPS, whichever suits their own circumstances.</td>
<td>Both</td>
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<td>For example, education programs under the Stage-by-Stage approach are to be adopted for students of accounting who are training to become professional accountants and, as appropriate, the Topic Approach is also adopted. For trainees, it would be preferable to adopt the Topic Approach in order to improve their practical skills.</td>
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<td>PWC</td>
<td>We recognise that it is important to provide two approaches to implementing the EEF and support the IAESB is providing flexibility in this area. We consider that the Stage by Stage approach is the preferred approach since it merges ethical content with technical subjects. This enables students and professional accountants to make the connection between the application of technical standards and ethical considerations.</td>
<td>Prefer stage-by-stage approach</td>
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<td>ICAP</td>
<td>The Board should aim for a single approach for implementing the Ethics Education Framework. The proposed Statement provides unwarranted [and largely undesirable] flexibility to the member bodies in its interpretation and implementation, primarily because of circumstances mentioned in p.6. This flexibility would, however, result in inconsistent [and perhaps inappropriate] interpretations, as member bodies would be following paths significantly different in nature from each other to achieve accordance. We recommend eliminating the Topic Approach [p.33-35] altogether, and modifying Stage-by-Stage Approach [p.36-38] in light of comments below. ‘Why study ethics at a pre-qualification level?’ For an unaware reader, somewhere between p.9-14, the Statement should clearly state that professional accountants are bound to observe ‘IFAC Code of Ethics’ and since trainees gain work experience with professional accountants and represent them on assignments, its relevant provisions are applicable to them as well.</td>
<td>IAESB should recommend a single approach (stage-by-stage).</td>
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<tr>
<td>CIMA</td>
<td>A mix is useful.</td>
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<tr>
<td>CGA</td>
<td></td>
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<td></td>
<td>2) The Stage-by-Stage approach recommends that a separate, assessed final course or module in ethics be introduced for students at Stage 3. Do you support such a recommendation? Please explain.</td>
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<tr>
<td>CA Australia</td>
<td>Agree, and this is reflected in our current practice. Past experience in introducing ethics in the first module in our education program, limited our ability to achieve an effective applied learning/understanding of ethical decision making. Candidates struggle with this</td>
<td>Yes</td>
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Prepared by Simon Thompson (January 2007)
concept as they were also trying to build their technical knowledge and skills at the same time and were very new to the workplace.

EY We agree that professional values, ethics and attitudes should be assessed in the same manner as any other aspect of the competence of a professional accountant. However, as a result of the considerations stated in the previous paragraph, we do not believe that the proposed Statement should specifically address students, but rather should define the broad outlines of the content to be covered by qualification examinations.

LB I believe there must be an early module to foster the development of issues and particularly frameworks that cannot be developed without specific significant time allocation. Leaving this material to the last part of a program is too late to make an impact and build competencies. A capstone module would be very helpful, but is less essential than a compulsory early module. I would prefer to have both, and would ask you to leave both in the document - which after all is a blueprint for the future, not a minimal first try to be extended further in 5 years.

APESB The APESB is of the view that any formal training in ethics, in the form of a stand alone subject or integrated with other subjects, should be the subject of formal assessment as an indicator of the importance placed on ethics education by the professional accounting bodies.

However, as ethics is an ongoing requirement of membership, the APESB is of the view that there may be a need for some form of ongoing testing of members’ ethical skills, possibly via online skills testing as a requirement for ongoing membership.

In order to change accountants’ attitudes towards ethics in a positive way it is necessary to change accountants’ behaviour. Forms of formal ethics assessment and ongoing requirements to maintain ethical “skills” should go some way to positively changing that behaviour.

It may be useful to develop a trail program on a co-operative basis between accounting practitioners and accounting academics. The use of case studies that approximate real-life situations in such a trial may be persuasive in an active approach to learning ethics.

Deloitte We would prefer to see a more integrated approach to assessment in the ethics area. A separate assessed module is one option but we believe that integrating ethics into all assessed areas is an equally valid approach as this more closely resembles the student’s working environment.

ACCA ACCA strongly supports the IEPS recommendation for the inclusion of an assessed final level course or module in ethics for students.
ACCA believes this is important for three main reasons:

- It gives ethics a prominent syllabus role alongside the specialist accounting related subjects a member body might include at the highest level. This sends out the strong message to students and other stakeholders involved with the teaching, learning, training and development process that ethics is an essential and high level subject and discipline.

- Placing an ethics paper at the highest level in a pre-qualification programme ensures sufficient underpinning coverage of technical accounting and finance, so that more relevant and sophisticated ‘scenarios’ can be used within which to assess the application of ethical knowledge, sensitivity and judgment within a realistic context.

- Having a final level examination in ethics (particularly at the beginning of that level) also allows students to take forward their ethical sensitivity and judgment into their study of advanced specialisms, in such subjects as financial reporting, business analysis, taxation, performance management, finance and audit. This allows examiners of these high level subjects to integrate and apply complex ethical situations, threats and conflicts into the specific context of their subject disciplines.

<table>
<thead>
<tr>
<th>JICPA</th>
<th>We believe that the ethics education programs should be integrated in a positive manner and be mandatory. There is a tendency in Japan for more accounting schools to adopt ethics courses as a mandatory subject.</th>
<th>No – prefer integrated approach</th>
</tr>
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<tbody>
<tr>
<td>PWC</td>
<td>We support the recommendation that a separate and assessed final course or module is included in ethics education programmes. Including an assessed final course or module:</td>
<td>Yes</td>
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</table>
|       | • Provides an indication that ethics are of equal importance when compared to other assessed modules  
• Ensures that a base level of awareness and knowledge in ethics has been achieved by all professional accountants  
• Helps IFAC member bodies ensure that professional accountants, at the point of qualification, have satisfied all relevant requirements, including those related to less technical areas such as ethics  
• For students or professional accountants in the audit profession, it facilitates compliance with auditing standards, since it provides information on the ethical competence of those individuals. | |
| ICAP  | A basic understanding of the Code [and its requirements] is essential for a trainee from first day as he/she too is indirectly bound by it. Therefore, understanding of the stages of ethics education framework at a pre-qualification level calls for a progressive and continuous evaluation and assessment system as a trainee moves towards qualification, preferably as an integral part of auditing and assurance | Do not support standalone module |
syllabus. We remain acutely mindful of the demands on the time available to students at prequalification level [also, that we would not like its awareness to come at a disproportionate cost of technical core subjects]. As such, a realistic assessment would not let us support the recommendation for introducing a separately assessed final course or module in ethics at Stage 3 under Stage-by-Stage approach [p.37].

**CIMA**  We would not support this recommendation but feel that the assessment should be an integrated assessment rather than topic based.

**CGA**  Do not support standalone module

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<th><strong>Section 3 of the proposed IEPS emphasizes the importance of workplace learning in developing the professional values, ethics and attitudes of professional accountants both in pre-qualification and post-qualification education. Do you feel that highlighting the role of workplace learning in this document is useful? If so, are there other examples of good practice in workplace learning the IAESB could include in this IEPS?</strong></th>
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<tbody>
<tr>
<td>CA Australia</td>
<td>Yes, this is effective and we currently undertake this via the practical experience program.</td>
</tr>
<tr>
<td>ICAI</td>
<td>We also agree with the emphasis placed on the importance of developing ethical values and attitudes in the work place and support that knowledge acquired should be assessed as part of the examination process.</td>
</tr>
<tr>
<td>EY</td>
<td>We strongly believe that professional competence is the result of a combination of formal learning, mentorship and experience. This is particularly true for the subjects of professional values, ethics and attitudes that are subjective and involve an individual’s behaviours in a wide variety of circumstances, which will require increasingly important decision-making as a professional’s career progresses. We therefore agree with the Board that the role of the workplace is crucial, and transfer of experience by more senior professionals to more junior professionals and exposing those more junior professionals to difficult situations is essential. Transferring knowledge should be part of the continuous professional development of a professional accountant throughout his or her entire career. Most senior professionals will also be confronted with difficult ethical situations for which peer consultation will be necessary and valuable. In this regard, the proposed Statement should be clarified to make this point. As presently drafted, the proposed Statement implies that the transfer of knowledge is limited to students and young professionals.</td>
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<td></td>
<td>Workplace learning (influence of peers) key throughout a career, not just at early stages.</td>
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</table>
Workplace learning will be very difficult to control, but focussing on it will remind professionals of the centrality of ethics to professionalism, and of their continuing role in maintaining and developing appropriate ethical behaviour. In my opinion, this focus is essential. We cannot successfully educate students to be ethical, if the professionals they aspire to join are not committed to ethical behaviour. Our students will laugh off what we need to get across. It is far better to put forward a comprehensive document that recognizes this reality.

The APESB feels that workplace learning can be a positive or negative factor in relation to ethical issues. If ethical behaviour is part of the workplace culture, then workplace learning will have a positive reinforcing effect. However, if the workplace culture is negative or indifferent with regard to ethics, the learning taking place may have a negative effect.

The APESB is in favour of some form of evidence-based analysis of the effect of ethics education on accountants’ behaviour, as this would provide a feedback loop for refining teaching and learning methods, based on the apparent effectiveness of students’ learning of ethics.

We concur with the emphasis being placed on workplace learning in the proposed IEPS.

ACCA welcomes the emphasis in the IEPS on post-qualification maintenance of ethical values and behaviour and the recognition that this is as important as the focus on enhancement of ethical knowledge and the development of ethical sensitivity in the pre-qualification education curriculum.

ACCA strongly supports the emphasis on the application of ethics and professionalism in the work place and feels that this is where the IEPS can help develop and expand on the recommendations of IES 4.

ACCA recognises that by applying the EEF and the ‘stage-by-stage’ approach as supported earlier (see response to Question 1), it is essential that member bodies require the demonstration and validation of work based competences relating to ethics, in order to properly fulfil the requirements of stages three and four in particular.

ACCA would suggest that maintaining and improving ethical behaviour can be most effectively demonstrated through exposure to real work-based situations and being involved in, if not deciding upon, courses of action involving ethical judgment. These work based situations could of course include audit related work or situations where relevant, but ethical threats and conflicts relating to other core
areas of an accountant’s work should also be recognised and explored, such as in preparing financial reports, giving tax advice, managing finance and the whole area of performance management and control.

ACCA would also recommend that stage 4 – maintaining an ongoing commitment to ethical behaviour, can best be demonstrated at work, and because of its long-term nature, this is most appropriately validated through CPD, post-qualification.

Paragraphs 42 - 50 are helpful in recognising that different models can be used for the delivery and assessment of ethics education, combining elements of workplace learning and formal education.

ACCA agrees that professional accountants and students, training to become professional accountants, should be exposed to exercises in ethical awareness and ethical decision-making. It also recommends that pre and post-qualification programmes should contain practical examples involving ethical threats and issues to help reinforce theoretical knowledge and sensitivity.

Paragraph 46 on the ethical leadership role is interesting, but could be difficult to apply in practice. However, ACCA believes that wherever possible, experiences of senior professionals of dealing with real ethical threats, conflicts and other problems and how these are resolved, are valuable lessons from which ethical sensitivity and maturity in more junior managers and professionals can be developed.

These kinds of experiences could be shared through presentations or ‘briefings’ by senior staff or consultants, through ethics discussions and from role play situations – as indicated in paragraph 51, without compromising the principle of ‘confidentiality’.

ACCA would like to see this aspect explored where, for example, within professional accounting organisations a case history of such situations and experiences could be collected and documented. In a broader context, ethics ‘web logs’ or ‘pod casts’ could be created where accounting professionals can air and share their experiences of ethical situations and problems with others.

ACCA believes that the IEPS is right to focus on the role of the mentor, coach and or the supervisor/manager and their supportive one-to-one relationship with the trainee or member. It is also right to emphasise the importance of their role in developing and maintaining professional and ethical values. ACCA recognises an important point is therefore made in paragraph 48 when it is ‘recommended that member bodies encourage supervisors or mentors to provide feedback on trainees’ ethical judgment and behaviour, in addition to feedback on their technical performance.'
This paragraph rightly places a broader responsibility to monitor and evaluate ethical as well as the technical. ACCA would welcome more guidance on how the IEPS would recommend the explicit inclusion of ethics in workplace training and appraisal, and how it would advise member bodies to validate this on a regular basis.

ACCA suggests however, that this could be done mainly through reflection and commentary, by journalising such situations on an ongoing basis and recording how ethical issues were handled or resolved. ACCA would initially expect ‘trainees’/members to discuss these as they happen, or at least review the outcomes of such situations and how they were resolved with their first line contact, through appraisal. They should also use these discussions to explore and improve their ethical sensitivity and judgment, leading towards better ethical behaviour and decision-making. The IEPS seems to support this approach in what it says in paragraph 56.

ACCA welcomes the recommendations in both paragraphs 50 and 56 for feedback on ethical judgment and behaviour to be included as part of the formal appraisal and review process within organisations, although it should be recognised that in practice this might be difficult to achieve without it potentially becoming a contrived and rather artificial exercise.

JICPA We consider it useful to highlight the role of practical workplace learning. Practice in ethics education set out after paragraph 45 seems to include comprehensive examples. Although there may be other examples, we believe that they are close to those listed after paragraph 45.

PWC We consider that highlighting the role of workplace learning in this Practice Statement is useful. Other examples of interventions which foster workplace learning which could be considered for inclusion are:

- Consultation by those faced with an ethical dilemma with designated ethics leaders or champions
- Regular leadership messages on the importance of ethics, where appropriate supported by real life examples
- Regular (for example, annual) communications on the existence of the ethics policies of an organisation, where appropriate, accompanied by details of any required ethics education and details of the relevant monitoring procedures
- Creation of formal networks in the workplace which deal with ethical issues. These networks foster consultation, knowledge sharing and awareness of ethical issues.
- Regular messages on the availability of ethics education, particularly self help education such as elearning
ICAP  In our view, the compliance with basic ethical framework for accountants working in public practice differ from others. For those in public practice, whether at pre- or post-qualification level, there should be a requirement of entire staff undergoing specific ethics training on annual basis [as in case of Code of Corporate Governance applicable of Pakistan and many other places, where it is mandatory to hold an orientation course to appraise the company directors of their duties and responsibilities]. We fully support Section 3 of the proposed IEPS on the importance of workplace learning in developing the professional values, ethics and attitudes of professional accountants at both pre-qualification and post-qualification education levels, and its emphasis in the Statement.

CIMA  The inclusion of workplace learning is to be applauded. Other techniques that could be considered: Action Learning; Appreciative Enquiry; and learning from other professions (e.g. Psychotherapy uses supervisor and peer-supervised collaborative learning sessions where case studies are presented and issues raised – could be a useful model for addressing ethical dilemmas using a process-based methodology).

CGA
SPECIAL CONSIDERATIONS FOR SME/SMPS

SPECIAL CONSIDERATIONS FOR DEVELOPING NATIONS

TRANSLATIONS

ICAP

Use of plain English >> ‘As anyone with management experience knows, when many people from different backgrounds, frames of reference and agendas are involved in a project, and stakeholder pressure is added to the mix, the more likely it is that you will end up with more of a compromise solution. At the very least, the solution is likely to be less clear and concise especially if there are time pressures on achieving on it. It can be summed up in the lovely words of Mark Twain: ‘I apologise for the length of this letter. I would have written it shorter if I had more time.’ Clarity of ISAs [this statement here] is essential to their acceptance, adoption and use internationally’. [Craig Fisher, The Chair, Professional Practices Board, New Zealand Institute of Chartered Accountants, In search of standards clarity, Chartered Accountants Journal, Sep 2005, page 18]

It is possible to free the text of this Statement from inferior use of English. Presently the text immeasurably suffers from most that is against the rules of good writing; primarily it is not concise or precise. Rephrase extremely long sentences and as a rough benchmark, the Board should aim to state more or less the same in almost half of the text.
Purpose and Scope of this International Education Practice Statement

PARAGRAPh 1
International Education Practice Statements (IEPSs) assist IFAC member bodies in the implementation of generally accepted good practice in the education and development of professional accountants by providing advice or guidance on how to achieve good practice or current best practice.

PARAGRAPh 2
This IEPS provides recommendations for developing and maintaining professional values, ethics and attitudes.

PARAGRAPh 3
International Education Standard (IES) 4, *Professional Values, Ethics and Attitudes*, requires IFAC member bodies to devote a portion of the pre-qualification education program for professional accountants to developing professional values, ethics, and attitudes. This IEPS provides guidance to IFAC member bodies on how to achieve good practice in developing professional values, ethics and attitudes in accordance with IES 4.
PARAGRAPH 4
This IEPS recommends approaches to the development of professional values, ethics and attitudes. It also recommends a number of methods for the delivery of ethics education, stressing the importance of workplace learning and assessment in particular.

PARAGRAPH 5
In addition IEPS recommends how member bodies may ensure professional accountants continue to develop professional values, ethics, and attitudes throughout their careers through continuing professional development (CPD).

PARAGRAPH 6
The International Accounting Education Standards Board (IAESB) recognizes (a) the wide diversity of culture, language, and educational, legal, and social systems in the countries of the member bodies; (b) the variety of functions performed by accountants; and (c) that member bodies are at different stages in developing their ethics education programs. This IEPS therefore sets out principles of good practice for ethics education, and recommends two flexible approaches through which IFAC member bodies may implement good practice.
PARAGRAPH 7

Some member bodies may already have addressed some or all of the issues considered in this IEPS. Other member bodies may have yet to consider such issues. It is suggested that all member bodies assess their compliance with IES 4 in light of the recommendations contained in this IEPS.

Definitions

PARAGRAPH 8

The following terms used in this IEPS are defined in the *Framework for International Education Statements*:

*Assessment*—all forms of tests of professional competence, whether in writing or otherwise, including examinations, carried out at any time throughout the learning process.

*Competence*—being able to perform a work role to a defined standard, with reference to real working environments.

*Continuing professional development (CPD)*—learning activities for developing and maintaining the capabilities of professional accountants to perform competently within their professional environments.

*Education*—a systematic process aimed at developing knowledge, skills and other capabilities within individuals. It includes training.

*Post-qualification*—the period after qualification as an individual member of an IFAC member...
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body.

*Pre-qualification*—the period before qualification as an individual member of an IFAC member body.

*Professional accountant*—a person who is a member of an IFAC member body.

*Professional values, ethics and attitudes*—the professional behavior and characteristics that identify professional accountants as members of a profession. They include the principles of conduct (i.e., ethical principles) generally associated with, and considered essential in defining the distinctive characteristics of, professional behavior.

*Qualification*—qualification as a professional accountant means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as a professional accountant.

*Student*—an individual following a course of study, including a trainee. In the context of professional education, a student is an individual undertaking a course or a program of study deemed necessary for the education of professional accountants, whether general or professional in nature.

*Trainee*—an individual undertaking pre-qualification work experience and training within the work place.

*Training*—pre- and post-qualification educational activities, within the context of the workplace, aimed at bringing a student or professional accountant to an agreed level of professional competence.

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AICPA We recommend the addition of definitions for, “ethics”, “values”, “attitudes” and “ethical sensitivity”. Ethical sensitivity is defined in paragraph #21.
### Background

**PARAGRAPH 9**

The actions of accountants impact others. Professional values, ethics and attitudes that identify professional accountants as members of a profession involve a commitment to enhancing the interests of the community. This is generally referred to as “serving the public interest.” The public relies on the ethical integrity of the profession and its members to ensure that professional responsibilities are upheld and the public interest is safeguarded.

**PARAGRAPH 10**

The Ethics Education Framework (EEF) recommended by this IEPS is aligned with the IFAC *Code of Ethics for Professional Accountants* (IFAC Code of Ethics). This establishes ethical requirements for all professional accountants, and sets out five fundamental principles of professional ethics: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.¹

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¹ *IFAC Code of Ethics for Professional Accountants*, 100.4.
PARAGRAPH 11

Professional accountants may encounter situations that threaten compliance with the fundamental principles of professional ethics. Many threats to compliance with these principles fall into the five categories outlined in the IFAC Code of Ethics: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats.\(^2\)

PARAGRAPH 12

The IFAC Code of Ethics also sets out a number of safeguards that may eliminate or reduce such threats to an acceptable level. These include: (a) safeguards created by the profession, legislation or regulation; and (b) safeguards in the work environment.\(^3\) The former include, but are not restricted to, educational, training and experience requirements for entry into the profession and continuing professional development requirements.\(^4\) This IEPS, by recommending principles of good practice for pre- and post-qualification ethics education, can help member bodies create such safeguards.

\(^2\) IFAC Code of Ethics for Professional Accountants, 100.10
\(^3\) IFAC Code of Ethics for Professional Accountants, 100.11
\(^4\) IFAC Code of Ethics for Professional Accountants, 100.12
PARAGRAPH 13

Ethical decision-making requires choosing from a number of alternatives, each with its own consequences for stakeholders. It is in the public interest that professional accountants approach ethical decision-making with an understanding of and an ability to apply the fundamental principles set out in the IFAC Code of Ethics.

PARAGRAPH 14

Ethical decision-making requires choosing from a number of alternatives, each with its own consequences for stakeholders. It is in the public interest that professional accountants approach ethical decision-making with an understanding of and an ability to apply the fundamental principles set out in the IFAC Code of Ethics.

Section 1: Developing Ethical Competence

PARAGRAPH 15

...
The Ethics Education Framework

This IEPS recommends the flexible, competency-based Ethics Education Framework (EEF), outlined in Figure 1 below. The EEF identifies four stages on a learning continuum, based on the four objectives of ethics education, staged as knowledge, sensitivity, judgment and behavior. Each objective applies to a particular level of advancement in the development of professional values, ethics, and attitudes.

6 AICPA We recommend the addition of a discussion under “The Ethics Education Framework” concerning who is responsible for ethical development.

Figure 1: The IFAC Ethics Education Framework (EEF)

6 AICPA The IFAC Ethics Education Framework (EEF) contains the term “ethical sensitivity” in the second column, third row. We recommend that both words be italicized.

CIMA Stage 4 Competence Required – is the understanding for all contexts or the one in which the individual works in. Understanding of situations beyond an individual’s experience may be good for educational stretch but it is an individual’s area (in business/practice, private/public) that may resonate most with the individual.

Stage 3 Learning Outcome – more specific definition of “sharp” might be useful as this is a key term and is used a number of times (paragraph 25). What does a sharp ethical decision-maker do that a blunt one doesn’t?

Stage 3 Competence Required – perhaps include knowledge of a structured decision-making process.

Stage 1 Learning Outcome – at this stage “developing” may be more appropriate than “enhancing”?

Stage 1 Competence Required – it might be useful to elaborate on the reasons why an understanding of traditional ethical
theories and concepts is valuable. Perhaps also to require some aptitude in identifying practical, real-world ethical issues at this stage?

PARAGRAPH 16
The EEF recognizes that ethics education is a lifelong commitment that begins early in a pre-qualification program, and continues throughout a professional accountant’s career. It establishes a four-stage learning continuum, with learning outcomes and a description of competence required prescribed for each stage. The four stages of the EEF are described in more detail in paragraphs 18 to 29 below.

PARAGRAPH 17
The EEF also contains eight essential subject areas, based on the topics prescribed by IES 4 which are to be included in all pre-qualification education programs. These are outlined in Figure 2 below. In addition, suggested knowledge content to support each subject area is provided, for illustrative purposes only, in Appendix 1.

PARAGRAPH 18
Stage 1: Enhancing Ethics Knowledge
Students need to develop an understanding of relevant ethical and professional standards relating to the
accounting profession. Knowledge of general ethical principles and of the fundamental principles of professional ethics outlined in the IFAC Code of Ethics is required for the development of ethical decision-making and behavior in a professional context.

7 APESB This is the most academic and theoretical section of the proposed course structure and thereby has the potential to turn the studying cohort off – as it does in many formal ethics courses.

The APESB believes that any course should focus on the ethical skills currently operating within the accounting profession and reflect on how these match with community expectations.

Stage 1 may be better focussed on two issues:

1. An additional approach that emphasises ethical decision-making – that is, ethics as integral to the decision-making process, rather than an add-on to it. Decision-making is rarely taught directly in pre-professional accounting courses but it is assumed, quite fallaciously, that it is acquired in solving exercises or observing colleagues.

2. The distinction between rules and principles and how they are both relevant in an accounting context. The rules provided all require the exercise of judgment. Developing effective ethical conduct requires accountants to go beyond the rules and discover what principles to apply in each particular situation.

From the exposure draft it is not possible to say what knowledge may be acquired by participants in the course structures suggested, as the exposure draft omits consideration of how to measure or gauge the effectiveness of any approach.
Stage 1 of the EEF teaches fundamental knowledge on matters concerning professional values, ethics, and attitudes. It focuses on developing an understanding of:

(a) The environment that influences decisions, including:
   (i) Relevant standards and codes; and
   (ii) Expectations of ethical and professional conduct; and

(b) The fundamental theories and principles of:
   (i) Ethics;
   (ii) Virtues; and
   (iii) Individual moral development.

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<td>5</td>
<td>AAT</td>
<td>Paragraph 19 (b) (iii) lists individual moral development as an area to be covered. We question whether moral development is actually part of professional ethics, or whether the line should be drawn before this point. It seems more appropriate for students to focus entirely on ethics within the context of the work of professional accountants.</td>
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<td></td>
<td></td>
<td>An understanding of traditional ethical concepts would be enhanced if they were contextualised to the modern day business.</td>
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<td><strong>PARAGRAPH 20</strong></td>
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<td></td>
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<td>Competence in this area will be demonstrated by knowledge of traditional ethical concepts and theories, and of those relating to the professional accountant’s work.</td>
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</table>
Stage 2: Developing Ethical Sensitivity

Students need to develop ethical sensitivity, which is the (a) ability to recognize an ethical threat or issue, (b) awareness of alternative courses of action leading to an ethical solution, and (c) knowledge of the effects of each alternative course of action on stakeholders.

Paragraphe 21 -23 expand on Stage 2 of the EEF. Following the point made above, we feel that there will be implementation difficulties in assessing/confirming that sensitivity to ethical issues and threats identified in the functional disciplines of accounting have been demonstrated. We would therefore suggest that additional guidance is given on this area, within the IES. For example, in paragraph 23, mention could be made of measuring competence in this area by asking the student to respond to a case study based on an ethical dilemma by outlining the issues it brings up and how they would respond to such a situation.

AICPA

We recommend the design and inclusion of a chart highlighting the steps for making ethical decisions. This is an important model for the discussion of the competencies.

APESB

This may be better approached using a case study basis. Sensitivity will only increase when accountants test their own values against their peer group in realistic situations in safe surroundings.

CIMA

suggested addition - c) knowledge of the likely/potential effects of each alternative action.
ethics education programs focus on developing a sense of professional responsibility with ethical sensitivity and an appreciation of ethical threats.

CIMA include management accounting or a sub task as an example.

PARAGRAPH 23

Competence in this area will be demonstrated through sensitivity to ethical issues and threats identified in the functional disciplines of accounting.

PARAGRAPH 24

Stage 3: Improving Ethical Judgment

Core ethical values are the foundation of professional judgment. Making choices consistent with the fundamental principles set out in the IFAC Code of Ethics requires ethics knowledge and ethical sensitivity.

The exposure draft uses the model of moral behaviour developed by Rest (1999), which the APESB believes is a useful framework to apply, viz:

1. Moral sensitivity – can we see a moral problem?
2. Moral priorities – based on the values one holds dear

Need to include paragraph on “ethical courage”
3. Moral judgement – how well do we reason on moral issues?

4. Moral courage – can we act on our values and judgement?

It also appears to use Kohlberg’s six level model of ethical reasoning. These stages are regarded as biological, qualitatively different stages (based on Piaget) that are reached at different ages. However, they may also describe styles of mental activity rather than stages of moral development. This means that people may operate simultaneously at different levels of moral reasoning, switching back and forth between them.

If this is the case then ethics development may not be linear for all accountants of all ages. We note that differences between different generations are more noticeable than before. These differences are due to educational and sociological changes over the past 30 years which have resulted in significant groups of people possessing widely varying standards of acceptable behaviour. This is due to differences in their sense of entitlements (and other factors such as changes in self-discipline – for example, consider the trends in use of credit and paucity of savings). These have a great impact on the potential effectiveness of any ethics education program.

To teach ethics in a practical way, it may also be advisable to acknowledge the psychological impact of people having different learning styles – auditory; visual; kinaesthetic (based on movements); and digital (i.e. language not sensory). The academic approach, of itself, may not necessarily translate knowledge into appropriate behaviour.

Ethical judgement requires experience. An individual can only make informed choices if the individual understands what values inform those choices. No study of ethics is complete without an investigation of the values that inform choice. By looking at ethical decision-making over all stages of the program outlined in the exposure draft, judgement skills can be developed. Again a case approach may be most effective.

What is missing from the exposure draft is any focus on the final stage of ethical decision-making – the ability, courage and willingness to take action. Whistleblowers in the past have damned their own careers when raising the alarm and it may take tremendous courage to go against an organisation culture or employer where unethical practices are condoned. It might be useful to talk about the implications of acting ethically in many circumstances where the action will be seen as an act of
It is the view of the APESB that a problem-based approach to learning ethical decision-making would be most effective, rather than learning ethical concepts, possibly out of context. This would require the development and use of open-ended problems as well as the series of exercises outlined in paragraphs 43 and 55 of the exposure draft.

**PARAGRAPH 25**

Stage 3 is an application stage, where students and professional accountants learn how to integrate and apply ethics knowledge and ethical sensitivity to form reasoned and well-informed decisions. This stage is designed to assist individuals in applying a well-founded process for making ethical decisions. At Stage 3, it is recommended that ethics education programs focus on improving professional judgment by sharpening ethical decision-making skills.

**PARAGRAPH 26**

Competence in this area will be demonstrated by the ability to make ethical judgments and decisions based on an understanding and application of ethics knowledge and ethical sensitivity.

**PARAGRAPH 27**

**Stage 4: Maintaining an Ongoing Commitment to Ethical Behavior**

Professional accountants need to be able to deal with ethical threats and be able to choose a course of action consistent with the fundamental principles set out in the Code of Ethics.
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<td>5</td>
<td>AAT</td>
<td>The EEF proposes a framework which incorporates a focus on ethics both at initial qualification stage and CPD stage and specifies the content of each. Whilst we support this approach in the long term, it is important to recognise that at the time of the IEPS’s introduction, there will be many qualified accountants who will not have benefited from the inclusion of ethics within their initial qualification. Their CPD will therefore have to be tailored to cover these missing areas.</td>
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<td>7</td>
<td>APESB</td>
<td>The APESB believes that there could be a role for national accounting bodies in monitoring the ethical climate of the profession.</td>
</tr>
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**PARAGRAPH 28**

At Stage 4, it is recommended that ethics education programs focus on developing and reinforcing a lifelong commitment to ethical behavior in a professional context through CPD.

**PARAGRAPH 29**

Competence will be demonstrated through an understanding of organizational and situational contexts and the application of ethical knowledge, sensitivity and judgment into ethical behavior in accordance with the IFAC Code of Ethics.
Section 2: Approaches to Implementing the Ethics Education Framework

PARAGRAPh 30

Flexible Approaches to Implementing the EEF
This IEPS recommends two approaches to implementing the EEF: the Topic Approach, and the Stage-by-Stage Approach. Member bodies may choose to follow one approach, or to mix elements of both, as appropriate for their local circumstances.

PARAGRAPh 31

Both approaches stress the importance of integrating ethics education into pre-qualification accounting education programs, and the importance of revisiting and reinforcing knowledge and capabilities learned through CPD. Both approaches also emphasize the role of workplace learning and assessment in the development of professional values, ethics and attitudes. These are covered in detail in Section 3 of this IEPS.
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<td>6</td>
<td>AICPA</td>
<td>This statement tends to establish the lowest level of recommendation for educational development in the guidance and tends to prescribe a minimum number of credit hours for ethics training. We believe it is too minimal an approach, and should be removed. There is concern that prescribing the number of credit hours in ethics would have unintended negative consequences for accounting programs.</td>
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**PARAGRAPH 32**

Whichever approach is adopted, member bodies and educators may wish to consider requiring students to take at least one module in ethics education to help them grasp the importance and complexity of analyzing and resolving ethical problems.

**PARAGRAPH 33**

The Topic Approach

IES 4 (paragraph 16) prescribes a number of topics to be included in all pre-qualification education programs. These have been aligned with eight essential subject areas contained in the EEF, as demonstrated in Figure 2 below.

**Figure 2: The Topic Approach**

- Ethical Threats and Safeguards, IES 4 Topics – perhaps include here something on the pressures facing professional accountants and the consequences.

In general, perhaps include explicit reference to macro-economic importance of good ethics.
The table contents need to be tidied up and match the subject to topic area.

**PARAGRAPH 34**
The Topic Approach implements the first three stages of the EEF subject by subject in relevant parts of the pre-qualification program. Each subject can be learned progressively following the first three stages of the EEF learning continuum. Stage 4 of the EEF is primarily post-qualification (CPD).

5  AAT
Paragraph 34 states that under the topic approach, the first three stages of the EEF are implemented, subject by subject in relevant parts of the pre qualification programme. Whilst we can see that Stage 1 is covered, it is not clear how Stages 2 and 3 are covered, as the topic approach seems to focus almost exclusively on enhancing ethics knowledge.

**PARAGRAPH 35**
The IAESB recognizes that the detailed content of member bodies’ ethics education programs will reflect their national and cultural environment and education system. Member bodies may incorporate the EEF subject areas in any sequence as required in their pre- or post-qualification programs. Each subject area is expanded upon in Appendix 1, which gives examples of suggested content for each subject that member bodies may wish to include in their ethics education programs.
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<td>6</td>
<td>AICPA</td>
<td>We concur with the opening sentence in this paragraph and feel it is an important recognition to encourage the adoption of effective ethics education by all members.</td>
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**PARAGRAPH 36**

**The Stage-by-Stage Approach**

The Stage-by-Stage Approach follows the EEF as outlined in Figure 1, and incorporates (a) the first three stages of the EEF in pre-qualification education programs, and (b) the fourth stage in both pre- and post-qualification education programs. Figure 3 below illustrates this approach.

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**Figure 3: The Stage-by-Stage Approach**

Figure 3 recommends a separate required course or module to cover Stage 1. Whilst suggestions for delivery are important we believe it is essential to stress that the primary focus should be on the outcome rather than the input.

5 AAT  
CIMA  
Stage 4 Method – could this be termed management accounting.

**PARAGRAPH 37**

This approach begins by introducing ethics early in the pre-qualification program (Stage 1), followed by
ethic discussion in the existing accounting modules or courses (Stage 2), and culminating in a final module/course that ties together previous ethics material (Stage 3).

PARAGRAPH 38

The nature of ethics education means that post-qualification programs need to revisit and reinforce the knowledge and capabilities learned and acquired in pre-qualifying programs. It is recommended that ethics education therefore continue through CPD (Stage 4), in order to reinforce ethical behavior.

PARAGRAPH 39

Continuing Professional Development (CPD)

Ethics education is a lifelong process. Continually changing public expectations result in changes in ethical standards. Ethics education through CPD is therefore necessary for continued development of ethical decision-making and an ongoing commitment to ethical behavior. Ethics education in CPD focuses on assisting individuals to make better ethical choices at critical junctures, and to reinforce and advance ethical concepts introduced in pre-qualifying education programs.

We strongly agree that ethics education is a lifelong process and fully support the content of paragraph 39.
Paragraph 39 – “make better ethical choices” might be rephrased “make the best possible ethical choices”.

PARAGRAPH 40

The nature of ethics education means that post-qualification programs need to revisit and reinforce the knowledge and capabilities learned and acquired in pre-qualifying programs. Ethics education therefore continues through CPD at Stage 4 of the EEF.

PARAGRAPH 41

It is recommended that member bodies require a portion of continuing ethics education for professional accountants as part of their CPD program.

5 AAT We note that, under paragraph 41, the IEPS is recommending that member bodies require a portion of continuing ethics education for professional accountants as part of their CPD program. We accept this in principle but can see difficulties in marrying this with the concept of self-directed CPD where professionals are encouraged to identify and act upon their own professional development needs. This potential conflict should therefore be given further consideration.

13 ICAP The Statement is silent on the minimum number of cpd hours. Instead, it simply states: ‘It is recommended that member bodies require a portion of continuing ethics education for professional accountants as part of their CPD program’ [p.41]. The Statement mentions use of official publications of the member bodies [such as magazines] in the context of formal assessment [p.55]. The ifac should prescribe its member bodies to include features on eef regularly in its official publications and to make it a source of gaining cpd hours.

We recommend that member bodies report actual cases of breaches of the Code and its consequences clearly. The actual process of reaching conclusion may become a case study and discussed, especially at post-qualification level.
### Section 3: Delivery and Assessment of Ethics Education

**PARAGRAPh 42**

**Objectives of Delivery and Assessment of Ethics Education**

Different models are used for the delivery and assessment of ethics education. These will combine elements of workplace learning and formal education. In all cases, it is recommended that member bodies establish clear objectives for ethics education that focus on (a) increasing ethical sensitivity, (b) fostering a commitment to professional responsibility, and (c) developing ethical decision-making skills.

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<td>5</td>
<td>AAT</td>
<td>Paragraph 42 states that both workplace learning and formal education are appropriate vehicles for the delivery and assessment of ethics education. We agree and would suggest that self-directed learning could usefully be added to this list of appropriate channels.</td>
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<tr>
<td>10</td>
<td>ACCA</td>
<td>Paragraphs 42 - 50 are helpful in recognising that different models can be used for the delivery and assessment of ethics education, combining elements of workplace learning and formal education.</td>
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**PARAGRAPh 43**

It is recommended that professional accountants and students training to become professional accountants be exposed to exercises in ethical awareness and ethical decision-making. These contribute to the development of ethical sensitivity and judgment. It is also recommended that member bodies ensure pre-
and post-qualification education programs contain practical examples of ethical threats and issues to reinforce theoretical knowledge.

The section heading for paragraphs 42 – 44 is Objectives of Delivery and Assessment of Ethics Education. Whilst we do not disagree with the commentary provided in paragraph 43 or paragraph 44, the link to the heading of the section was not obvious.

PARAGRAPH 44

Students develop knowledge of fundamental ethical principles during pre-qualification education programs. They learn how to apply fundamental principles in real-life situations through work experience, both pre- and post-qualification, through observing their colleagues and experiencing organizational practices and cultural norms.

PARAGRAPH 45

Workplace Learning

This section highlights good practice in ethics education in the workplace. Learning ethics in the workplace is as important as learning ethics during formal educational programs. Employers and member bodies need to work together to promote ethical behavior, and develop professional values, ethics, and attitudes, both in pre-qualification and post-qualification education.

CIMA it may be that learning ethics in the workplace is more important than learning through formal education programs once an accountant becomes qualified.
PARAGRAPH 46

*Ethical Leadership*

Ethical leadership in an organization will have a strong influence on the ethical behavior of all those working in that organization. Professional accountants and students learn and modify ethical attitudes as they internalize values of the organization demonstrated by their superiors and colleagues. Professional accountants in leadership roles need to ensure that they liaise with students and other professional accountants on the responsibilities and ethical issues professional accountants face in the workplace. Member bodies may consider facilitating such sessions, especially where students work without direct supervision by professional accountants.

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<td>10</td>
<td>ACCA</td>
<td>Paragraph 46 on the ethical leadership role is interesting, but could be difficult to apply in practice. However, ACCA believes that wherever possible, experiences of senior professionals of dealing with real ethical threats, conflicts and other problems and how these are resolved, are valuable lessons from which ethical sensitivity and maturity in more junior managers and professionals can be developed. These kinds of experiences could be shared through presentations or ‘briefings’ by senior staff or consultants, through ethics discussions and from role play situations – as indicated in paragraph 51, without compromising the principle of ‘confidentiality’.</td>
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PARAGRAPH 47

*Supervised Practical Experience*

During pre-qualification programs, trainees undertake a period of supervised practical experience under the guidance of a supervisor or mentor. Relationships with supervisors or mentors help trainees in many ways,
including the development of the skills required of professional accountants, and the development of ethical sensitivity and judgment through relationships with supervisors or mentors acting as role models.

**PARAGRAPH 48**

It is recommended that member bodies encourage supervisors or mentors to provide feedback on trainees’ ethical judgment and behavior, in addition to feedback on their technical performance.

ACCA recognises an important point is therefore made in paragraph 48 when it is ‘recommended that member bodies encourage supervisors or mentors to provide feedback on trainees’ ethical judgment and behaviour, in addition to feedback on their technical performance.

This paragraph rightly places a broader responsibility to monitor and evaluate ethical as well as the technical. ACCA would welcome more guidance on how the IEPS would recommend the explicit inclusion of ethics in workplace training and appraisal, and how it would advise member bodies to validate this on a regular basis.

**PARAGRAPH 49**

*Coaching*

Students and professional accountants may benefit from coaching. Working with a coach may help individuals develop their ethical sensitivity and judgment. Professional accountants may also act as coaches for students and other professional accountants in their organizations.
PARAGRAPH 50

Performance Review and Appraisal

Professional accountants often work in environments where regular performance reviews and appraisals are held. It is recommended that member bodies encourage professional accountants to ask for feedback on their ethical judgment and behavior as part of such a review. Where professional accountants are responsible for conducting performance reviews and appraisals for others, member bodies need to encourage them to include feedback on ethical judgment and behavior.

5 AAT

We welcome the recommendation under paragraph 50 that member bodies encourage professional accountants to ask for feedback on their ethical judgement and behaviour as part of a performance review and/or appraisal. We would go further to suggest that those member bodies who have established employer accreditation/partnership schemes (like the AAT’s own Corporate Training Partner scheme) to extend such schemes to include this important area.

10 ACCA

ACCA welcomes the recommendations in both paragraphs 50 and 56 for feedback on ethical judgment and behaviour to be included as part of the formal appraisal and review process within organisations, although it should be recognised that in practice this might be difficult to achieve without it potentially becoming a contrived and rather artificial exercise.

PARAGRAPH 51

Teaching Methods

A number of teaching methods are advocated in ethics education literature. These include:

- Lectures;
• Ethics discussions;
• Small-group and collaborative learning;
• Case studies based on ethical threats and challenges;
• Role-play;
• Guest speakers and practitioner participation; and
• E-learning.
Further guidance on the above is included in Appendix 2.

CIMA
perhaps business games could be included.

PARAGRAPH 52
Assessment Methods
Member bodies need to ensure that assessment of ethics education programs establishes that students and professional accountants have developed ethical sensitivity and judgment to an appropriate level.

12 PWC
To reflect the status of this IEPS as a Practice Statement (rather than a standard), we recommend that paragraph 52 is reworded to state:
• It is recommended that member bodies ensure that assessment of ethics education establishes that …
PARAGRAPH 53

Assessment methods may be broadly divided into two types. Summative assessment provides information about the level of a student’s performance at certain points in the learning process, usually at the end of a course of study. This may be more appropriate for assessing knowledge of ethical theories and concepts. Formative assessment is ongoing, providing both teachers and learners with information about current progress in order to support future learning. This may be more appropriate for assessing the development of ethical sensitivity and judgment in the workplace.

5  AAT

Paragraph 53 suggests that summative assessment is most appropriate for assessing knowledge of ethical theories and concepts. Our experience is that summative assessment can also be used effectively to test a student’s ability to demonstrate their ability to apply ethical concepts to work based situations. We agree that formative assessment is useful for assessing the developments of ethical sensitivity and judgement in the workplace; however this can also be applied to work based scenarios in situations where assessment in the work place is not possible for practical reasons.

PARAGRAPH 54

Assessment of ethics education programs may be accomplished through formal assessment, assessment in the workplace, or self-assessment. In most cases, member bodies will combine these approaches.

PARAGRAPH 55

Formal assessment can test standards for attaining the fundamental knowledge of ethical principles and the ability to critically evaluate ethical situations. In addition to traditional examinations, there are a number of means by which formal assessment may be carried out:
Creating databanks of simple case studies requiring completion of a quiz, which are published in professional magazines/journals, and requiring individuals to complete online tests;

A case analysis system requiring students to maintain journals and notes on particular public domain cases;

Objective testing of ethical aspects of the pre-qualification programs; and

Using case study group assignments and workshops to assess individuals’ competence in ethical analysis and decision-making.

PARAGRAPH 56

Learning ethics from experience gained in real work environments is as important as learning ethics in the classroom. The assessment of learning from experience gained in a real work environment differs from, and in many respects is more difficult than, assessment of classroom learning. Means for assessing ethics education in the workplace include:

Discussion and guided resolution of ethical dilemmas as they arise in real work environments;

Retrospective review with performance reviews and appraisals; and

Using online forums to broaden ethical discussion about real issues that face professionals in the workplace.

Paragraph 56 sets out some useful suggestions for assessing ethics education in the workplace. As this is an important area it would be helpful if other suggestions could be provided.
The second bullet point would be clearer if it stated (italics added):

- Retrospective reviews *via* performance reviews and appraisals; and…

### PARAGRAPH 57

**Self-assessment**

Member bodies are not recommended to rely solely on self-assessment in assessing ethical sensitivity, judgment and decision-making. Self-assessment may often form an important part of a supervised practical work experience and performance review/appraisal system, however. Member bodies may also wish to consider developing tools that enable students and professional accountants to compare their response to ethical issues and threats with those of their peers.

### PARAGRAPH 58

Member bodies, academics, and employers are encouraged to try a range of assessment techniques to better test individuals’ abilities to consider and resolve real ethical issues. IES 6, *Assessment of Professional Capabilities and Competence* prescribes the requirements for a final assessment of professional capabilities and competence.
APPENDICES

General Statements of Support

General Statements of Concern

Detailed Comments

Appendix 1 – Ethics Education Framework Subject Areas

We recommend that learning methods should also be associated with the topics to be taught and the various learning outcome that are expected as defined in Appendix 1.

In Appendix 1, we suggest that “professional ethical dilemmas” be added to “(ii) Concepts and Values” in stage 3, and we suggest that the topic “concept of being a role model” be added in stage 4. We believe that after gaining an understanding in stages 1 and 2, the concepts of professional values, ethics and attitudes should be explained in more practical situations. For example, in stage 3, the primary practical issue may be illustrated as a dilemma between contradictory incentives, and the application of professional ethics concepts can be used to help solve these dilemmas. Delivering learning for these concepts, particularly for mature professionals, is challenging, but that challenge should not deter the Board from setting it as a development objective.
The phrase, “the impact of legal and other reforms” in the line item “(iii) The environment: corporate, professional and regulatory” at stage 2 is unclear and needs explanation.

12 PWC

The appendix should be labelled “Appendix 1”.

The table in Figure 2, Paragraph 33, recommends that the topic, “consequences of unethical behaviour to the individual, the profession and society at large” aligns with the subject area, “ethical threats and safeguards”. We agree with this very important topic and it should be included in Appendix 1 (vi) for internal consistency of the document.

13 ICAP

Identify page 18 of the Statement as ‘Appendix 1’, cross-reference it by stating under it ‘See para 17’; and under Appendix 2 mention ‘See para 51’ or revised para.

These should be purged of topics that do not appear to be critical in understanding of this topic, especially at the pre-qualification stage. The IFAC Code [and the requirements of local legislation, if any] should be the core of this program [p.10-12]. The broad outline of subject areas provided in appendix 2 in its present form is inadequate and not fully understandable. On the face of it, some topic appears to be too theoretical or distracting [more suitable to a university course than a professional course]. The last subject area of ‘Social and Environmental Issues’, for example, largely appears to be remote to the core and stand out for exit.

The Board should provide an elaborate outline of Subject Areas in appendix 2 as illustration along with text and net references to make it crystal. The level of guidance in Appendix 2 appears to be incomplete to the point of being misleading. Critically, the Statement is silent on number of hours to be devoted to each stage [and its breakdown]. Apparently, it leaves member bodies to decide upon it on their own.

CIMA

Stage 3 & 4 Concepts and values – is there room here for Business Strategy, Organizational Mission Statements.

Stage 4 Social and environmental issues – is there room here for issues of strategy, policy influencing, role of NEDs etc?
Appendix 2 – Teaching Methods

4 LB I did note one small grammatical error in Para 8 on page 23 where the word "shares" should be "share".

5 AAT The teaching methods suggested in appendix 2 are all useful. E-learning has the potential to reach so many people and is likely to be an extremely effective method that it should feature at the beginning of the teaching methods list. As a means to encourage greater levels of participation and engagement amongst students and members it is important to support educators in bringing ethics to life. For example the AAT does this by providing tutors with pointers to books, films and media articles related to ethics. These are not always directly related to accounting but help the students to put professional ethics into a wider context. Please refer to our website for further details http://www.aat.org.uk/diploma/display/store4/item25319/

13 ICAP Under Appendix 2 mention ‘See para 51’ or revised para.
Further, the focus of appendix 2 is on teaching methods; it should be on sources of ethical education [and teaching methods is one of those sources].
## Editorial Comments

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<td>6</td>
<td>AICPA</td>
<td>In the Explanatory Memorandum you have used the term “prescribes” in the first sentence under the Topic Approach heading and “require” in the Ethics Education Framework Subject areas. We recommend the term “suggests” or “recommends” replace prescribes and requires because this is guidance.</td>
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<td>Professor Leonard Brooks, Rotman School of Management</td>
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<td>Pricewaterhouse Coopers</td>
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Note: CGA Canada’s comments were not provided in a form that enabled them to be easily added to this document. Their comment letter will be circulated together with the agenda papers for the IAESB’s February meeting, and is also available at: www.ifac.org/Guidance/EXD-Outstanding.php#0003.