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Dear Mark,

**Re.: Exposure Draft Proposed Revised International Education Standard  
IES 4, Professional Values, Ethics and Attitudes**

We would like to thank you for the opportunity to provide the International Accounting Education Standards Board (IAESB) with our comments on the Exposure Draft "Proposed Revised International Education Standard IES 4, Professional Values, Ethics and Attitudes" (hereinafter referred to as "the draft").

We support commencement of the clarity project for the International Education Standards (IESs) of the IAESB because it is important that the member bodies of IFAC have clarity as to what the purposes of the standards are through the expression of the objectives, what the requirements are with which member bodies must comply, and what represents additional guidance in the explanatory material beyond the specified requirements.

We have responded to the questions posed in the Explanatory Memorandum in Appendix 1 to this comment letter. Appendix 2 to this comment letter provides our detailed comments by paragraph.

We note that, unlike the previous exposure draft to IES 7, this exposure draft speaks of a "proposed *revised*" standard, as opposed to a "proposed *redrafted*" standard. Under the clarity conventions, a redraft implies taking the existing standard and redrafting it in clarity format without substantive changes, whereas a revision involves making substantive changes to the standard. Our comments in Appendices 1 and 2 are therefore made with a view to what appear to us to

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Manfred Hamann, RA

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represent issues of concern, regardless of whether or not those matters are substantially changed in the draft compared to the original standard.

The rather large number of comments by paragraph in Appendix 2 to this comment letter, some of which have an impact on the meaning of the requirements and explanatory material, suggests that more thought needs to be given to the wording used in the draft.

In Appendix 2 we also note a number of sentences in the explanatory material whose wording implies the existence of additional requirements or other degrees of obligation. The IAESB will need to consider whether such wording should be changed so that these sentences represent explanatory material, or whether additional requirements would be appropriate. For these reasons, we are of the view that “recommendations”, “encouragements” and “advisements”, have no place in guidance material because they blur the distinction between requirements and guidance.

We hope that our views will be helpful to the IAESB. If you have any questions relating to our comments in this letter, we would be pleased to be of further assistance.

Yours truly,



Manfred Hamannt  
Executive Director



Wolfgang P. Böhm  
Director International Affairs

## **APPENDIX 1:**

### **Responses to Questions Posed in the Draft**

1. *Is the proposed requirement for reflective activity in relation to ethics education appropriate?*
2. *Does this requirement raise implementation issues?*

We agree that reflection or reflective activities are an important part of learning processes – but not just for ethical dilemmas in relation to professional accountants. For aspiring professional accountants, reflection is an important part of the learning process for all aspects of the contents of professional accounting programs (IES 2) and professional skills and general education (IES 3) and for any CPD in relation to these.

However, we do not believe that the proposed requirement for reflective activity in relation to ethics education is appropriate because of the implementation issues involved. Reflection cannot be imposed: it must flow naturally and eclectically from the application of the mind of the student. In this context, we are convinced that the formalization of, and the requirement to document, the lessons learned of such a reflective activity would not lead to real reflection, but only to documentation of “going through the motions” of reflection for compliance purposes and to the superficial documentation of the lessons that students believe member bodies might expect students should have learned. It would be impossible for member bodies to determine whether the reflective activity has actually really taken place with the required application of mind, depth and breadth or whether the lessons documented are those learned.

The formalization and documentation proposed also appears to confuse, on the one hand, the acquisition of an understanding of professional values, ethics and attitudes and the ability to apply them, with, on the other hand, the assessment of that understanding and ability, the requirement for which is covered under paragraph 12 and the requirements for such assessment covered under IES 6. In IES 4, the IAESB should specify the learning outcomes and knowledge in relation to professional values, ethics and attitudes and to require that these be assessed (paragraph 12). IES 6 ought to cover how these are assessed. In some limited circumstances, such assessment could be through the formalization and documentation of reflective activities,

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but such assessment could be performed by other means, such as the inclusion of ethical dilemmas requiring reflection within particular questions or cases in an examination environment. However, the IAESB needs to recognize that an understanding of professional values, ethics and attitudes and the ability to apply them can be assessed as part of an education program – not their actual application in daily practice through internalization, which is an after-the-fact professional disciplinary issue.

For this reason, we suggest that the requirement in paragraph 11 be repositioned within paragraph 12 as an adjunct to the first sentence in that paragraph and be worded as follows:

“..., including their ability to reflect on ethical dilemmas.”

We have some additional wording issues with the requirement in paragraph 12 that we address in our comments by paragraph in Appendix 2.

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

We believe that the objective as stated is not appropriate for two reasons: 1. the objective needs to relate to an educational objective, not to the actual application or demonstration of ethical behaviour in practice, and 2. the second sentence of the objective is not a statement of objective.

In relation to the first reason, the statement of objective in the first sentence of paragraph 6 of the draft is written as if an education program can create professional accountants with certain values, ethics and attitudes. As noted in our response to questions 1 and 2 above, an understanding of professional values, ethics and attitudes can be conveyed and assessed as part of an education program – not their internalization through actual application in daily practice, which is an after-the-fact professional disciplinary issue (this is recognized in paragraph 12, which relates to the assessment of *competence* of professional accountants in relation to professional values, ethics and attitudes – not their actual application in daily practice). An understanding of professional values, ethics and attitudes and the ability to apply them can be taught, but their internalization by aspiring professional accountants so that they are applied in daily practice depends, in the first instance, on socialization processes within firms (and perhaps some socialization in professional education programs). Education standards cannot prescribe socialization processes – only the learning outcomes and knowledge required as one prerequisite for socialization processes being effective in internalizing

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professional values, ethics and attitudes. For these reasons, we believe that objective should read as follows (we address the reason for replacing the term “aspiring professional accountant” with “candidate” and adding “prior to awarding the professional accountancy qualification” in Appendix 2):

“The objective of a member body is to have candidates understand, and be able to apply, the professional values, ethics and attitudes required to perform the work roles of a professional accountant prior to awarding the professional accountancy qualification.”

In relation to the second reason, the second sentence of the objective in the draft represents explanatory material in relation to the objective and is therefore not a part of the statement of objective itself. This sentence should therefore either be moved to the explanatory material or be deleted (we make other comments in relation to this sentence in Appendix 2).

4. *Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?*

We limit our response to this question to instances in which we believe that a requirement does not meet the criteria for determining the requirements of a Standard (see footnote 1 to the Guide for Respondents in the Explanatory Memorandum of the Exposure Draft). Based on the criteria noted, we believe that there is a reasonable basis for each of the requirements, even though we believe that the description of the nature and extent of the requirements needs amendment as described in our comments by paragraph in Appendix 2.

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

It is unclear to us what the term “a framework” signifies in paragraph 7 of the draft. In our comments on paragraph 7 in Appendix 2, we note that it appears to us to be an unnecessary concept and would reword that paragraph without it as shown.

Paragraph 9 refers to ethical “concepts and theories” and at the same time refers to the fundamental principles of the IESBA Code. Does this mean that

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the IAESB is requiring IFAC member bodies to have professional accountants be able to understand metaethics? What level of discourse is the IAESB seeking to require in relation to ethical concepts? In relation to ethical theories, does the IAESB expect member bodies to require professional accountants to be able to understand ethical theories (i.e., understand the various theories categorized by branches of ethics (e.g., metaethics, normative ethics, applied ethics, etc.)? It is unclear what breadth and depth of understanding the IAESB contemplates. We suggest that if the reference to ethical concepts and theories is retained, then the explanatory material needs to provide considerable further explanation as to the nature and extent of understanding sought.

6. *Translations – Recognizing that many respondents intend to translate the final IESs for adoption in their own environments, the IAESB welcomes comment on potential translation issues noted in reviewing the proposed IES*

We have no comments on this issue at the present time.

7. *Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the IESs, the IAESB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in applying the proposed IES 4 in a developing nation environment.*

We have no comments on this issue.

8. *Effective Date – Recognizing that proposed IES 4 is a revision of extant IES 4, the IAESB believes that an appropriate effective date for the standard would be 12-15 months after approval of the final revised standard. The IAESB welcomes comment on whether this would provide a sufficient period to support effective implementation of the final IES 4.*

We are of the view that the IES need to be seen as a package and that therefore all of the IES need to articulate with one another. To this effect, we note that the IAASB did not issue its suite of clarified ISAs until all of them had been completed in final form after a consistency check had been carried out at the very end of the clarity process. Consequently, we would not support issuing any of the IES separately, but only as a package at the same time after such a consistency check has been performed. We therefore dis-

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agree with the assertion in the Explanatory Memorandum that individual standards be released as soon as approved (i.e., without such a consistency check). This means that the effective date would need to be some time after the approval of all of the revised or redrafted standards subject to such a consistency check.

We would also like to point out that education standards affect a lengthy education pipeline in the various jurisdictions that can range to a minimum of some seven or eight years for those jurisdictions requiring an university degree (of at least three or four years), a period of practical experience of at least three years, and the completion of final examinations. This means that changes to education standards cannot be implemented to affect students that have already entered the education pipeline to become a professional accountant. The effective date for education standards (with the possible exception of the IES 7 for CPD) therefore needs to clarify how the effective date is to be applied in the context of an education pipeline of several years' length.

Once the meaning of the effective date in relation to the education pipeline issue has been resolved, we expect a 12 to 15 month effective date after the approval of all of the IES to provide adequate time for the implementation of such standards for those jurisdictions not needing to change legislation. For those jurisdictions needing to change legislation, one or two more years may be necessary, but this is resolvable through the "best endeavours" clause in paragraphs 3 and 4 of SMO 2.

## APPENDIX 2: Detailed Comments By Paragraph

### *Conforming Amendments to IAESB Glossary of Terms*

#### *Aspiring professional accountant*

We do not believe that the term “aspiring professional accountant” appropriately addresses the individuals meant to be addressed in IES 2 to 6. The term appears to be appropriate in relation to IES 1, since IES 1 relates to individuals seeking to commence professional accounting education as part of IPD. However, IES 2 to 6 relate to requirements that need to be fulfilled by aspiring professional accountants prior to their professional accountancy designation being awarded (i.e. those individuals that are completing – not just having commenced – their professional accounting education as part of IPD). For this reason, we suggest that the following term and definition be added to the IAESB Glossary of Terms:

**Candidate** An aspiring professional accountant seeking to complete professional accountancy education as part of IPD to obtain a professional accountancy qualification.

Throughout the standard, the term “aspiring professional accountant” should be replaced with “candidate”. In the definition of “aspiring professional accountant”, and throughout the draft, we suggest the word “accounting” be replaced with “accountancy”, since IPD relates not only to accounting.

#### *Reflective activity*

Based on our response to Question 1 in the Appendix 2, we do not believe that a definition of reflective activity is needed and therefore propose that it be deleted. Furthermore, we would like to point out that the definition includes the phrases “documenting” and “lessons learned”, which would cause the requirement in paragraph 11 to be circular. In any case, the phrase “can be used by professional accountants at all stages of their careers” is superfluous and does not fit into the definition grammatically and could therefore be deleted.



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1. As we noted in Appendix 1, it is not possible to design education programs to internalize professional values, ethics and attitudes by means of socialization. We therefore suggest that the first part of this sentence be changed to read “.. prescribes the competencies, in professional values, ethics and attitudes, required of professional accountants through learning ...”. The use of the footnote is not in line with the IAASB clarity conventions, which use footnotes when referring to particular sources. Therefore, the sentence should be included at the end of this paragraph with a footnote reference to the glossary.
3. In line with the our comment to paragraph 1 above, we suggest that the beginning of the second sentence read “Competency achieved in the professional values, ethics and attitudes during IPD continue...”.
4. The nature of the reference to the IESBA Code of Ethics (hereinafter referred to as “the Code”) in this paragraph and in paragraphs 8, 10 and A3 appears to us not to be appropriate because it is not consistent with paragraphs 4 and 5 of SMO 4 – that is, member bodies are not required to integrate the Code into the education programs. To resolve this issue, we suggest that the IAESB draw on the solution used in both ISQC 1 and ISA 220, in which reference is made to “relevant ethical requirements”, rather than to the Code, and “relevant ethical requirements” is a term defined in the definitions section. Amended for IES purposes, the definition of “relevant ethical requirements” would be:

“Ethical requirements to which professional accountants are subject, which ordinarily comprise the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* (IESBA Code) together with national requirements that are more restrictive.”

Paragraph 4 should consequently be changed to read:

“This IES integrates relevant ethical requirements into professional accountancy education. Relevant ethical requirements ordinarily set out five fundamental principles...”
5. We refer to our comments in response to Question 8 in Appendix 1.
6. We refer to our comments in response to Question 3 in Appendix 1. In the second sentence, it is unclear to what the word “This” refers.
7. We note our previous comments on the use of the term “framework” and question whether the only “professional judgment” is to be exercised in the public interest, but also other activities of a professional accountant not re-

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quiring public interest. For this reason, we suggest amending the wording of this paragraph to read:

“IFAC member bodies shall provide learning and development activities such that professional accountants obtain the competencies in professional values, ethics and attitudes needed to exercise their profession in the public interest.”

As a separate matter, we note that there are no subheadings grouping the requirements. It seems to us that paragraph 7 deals with the general requirement, paragraphs 8 and 9 deal with coverage, paragraph 10 with the required competencies, and paragraphs 11 and 12 with assessment. Subheadings denoting this may be useful.

8. In line with our comment on paragraph 4, we suggest that this paragraph be amended to read:

“IFAC member bodies shall integrate relevant ethical requirements into learning and development activities”.

9. We refer to our response to question 5 in Appendix 1. The use of the word “which” near the end of the introductory sentence is ambiguous: does this mean that only those ethical concepts, theories and principles that foster a commitment to the items mentioned in the bullet points should be covered, or that there is a presumption that the concepts, theories and principles cover the items in the bullet points? Either way, we note that social responsibilities, lifelong learning and CPD (as opposed to maintaining professional competence), quality, reliability, responsibility, timeliness, courtesy, and respect of local societal norms are not covered in the Code. By including these matters, the IAESB is in fact setting standards for professional values, ethics and attitudes, not just for education. We do not suggest that some these matters may not be important, but the IAESB needs to recognize the nature of the requirements that it is setting.

However, if these additional standards of conduct beyond the Code are included, then the IAESB will need to consider if they are in fact appropriate, and if so, define what they mean. In relation to the former, it is unclear to us whether “sensitivity to social issues” is appropriate given prior reference to public interest. Furthermore, “respect of ... local societal norms” may in fact be counterproductive from an ethical point of view in the context of societies in which acceptance of corruption is the social norm. We therefore suggest that the IAESB liaise with IFAC staff responsible for working on the project dealing with the “public interest” to obtain further clarification of

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these two matters. In relation to the latter, it is unclear to us what the IAESB means by “quality”, “reliability” and “responsibility” without further description, explanation or definition.

As an editorial matter, under the clarity conventions used by the IAASB, lists of items that are considered complete should use alphanumeric indicators rather than bullet points to indicate that the list is complete. Furthermore, the requirement in paragraph 9 should commence with “In their learning and development activities, IFAC member bodies shall professional values...”.

10. Paragraph 7 refers to the “provision” of learning and development activities through member bodies; consistent wording should be used in this paragraph. This would cause this paragraph to read as follows: “IFAC member bodies shall provide learning and development activities of aspiring professional accountants to include developing the ability to:...”

We refer to the use of alphanumeric indicators rather than bullet points for complete lists as noted in our comments to paragraph 9. Furthermore, nine bullet points without some structure or use of subheadings suggests that more thought may need to be given to how the learning outcomes are structured.

In the first to fifth bullet points, we suggest that the term “professional” be inserted prior to the word “ethics”, since we presume that “ethics” in philosophical sense is not the issue of concern.

Professional skepticism is only required for assurance engagements – not for related services engagements or by professional accountants in business. For this reason, we suggest that the term be deleted from the sixth bullet point and be given a separate bullet point that states “explain the concept of professional skepticism in relation to assurance engagements”.

In line with our previous comments, in the last bullet point we suggest that reference to the IESBA Code be changed to “relevant ethical requirements”.

11. We refer to our response to question 2 in Appendix 1.
12. If paragraph 7 speaks of provide, paragraph 8 of cover, and paragraph 10 of “provide”, we suggest that this paragraph commence as follows: “IFAC member bodies shall assess the competence...”.

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### *Explanatory Materials*

Our comments to the explanatory material only address issues that would not be covered by amendments arising from the comments we have made to the introduction, objective and requirements. As a general matter, we suggest that subheadings be used as we proposed for the requirements (see comments on paragraph 1). We also note a number of instances in which the paragraph references to the requirements do not appear to be appropriate

- A1. This paragraph refers to the definition proposed for the glossary and is therefore superfluous; it is unclear why a reference is made to paragraph 6 (the objective). If the definitions are needed for an understanding of a standard, then they should be included in a definitions section of that standard.
- A2. The comments as made to A1 apply to this paragraph.
- A3. What is the purpose of this sentence and why is it referenced to paragraph 7, which is the general requirement?
- A5. We do not believe that the verb “are advised” is appropriate because it suggests some form of obligation, even if not a requirement. We suggest replacing the term used with “may consider”.
- A7. The phrase “it is important that” suggests a light form of obligation. We suggest rephrasing this sentence as follows: “One of the matters conducive to fostering a commitment to the public interest is that aspiring professional accountants understand that they contribute...”.
- A8. We suggest replacing “are encouraged to distinguish”, which is a weak form of obligation, to “may consider distinguishing”. The reference to paragraph 9 does not appear appropriate, since paragraph 9 deals with coverage, whereas this A8 deals with the general requirements (paragraph 8).
- A9. The paragraph reference should be to paragraph 8 (general requirement), rather than to paragraph 9 (coverage).
- A10. Reference is made to “supervisors”. Who are they in the context of this IES? The paragraph reference should be made to paragraph 8 (general requirement) or paragraph 12 (assessment), rather than to paragraph 9 (coverage).
- A11. The words “are encouraged to recognize” should be replaced with “may consider recognizing” to eliminate the intimation of obligation. The para-

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graph reference should be made to paragraph 12 (assessment), rather than to paragraph 9 (coverage).

- A12. Reference is made to “learning outcomes”, which are covered in the bullet points of paragraph 10. However, no reference is made in paragraph 10 to the fact that these are learning outcomes.
- A13. We are not convinced that, other than the learning outcomes in the last two bullet points, practical experience can replace other formal education. We suggest that the term “classroom-based education” be replaced with “theoretical education” because “classroom-based education” precludes self-study and other forms of learning outside a classroom. Furthermore, even those last two bullet points can be assessed by means of formal examination.
- A14. The words “are encouraged to use” should be replaced with “may consider using” to eliminate the intimation of obligation.
- A15. The last sentence adds no value and can be deleted.
- A19. We suggest that the words “are advised to consider” be replaced with “may consider” to eliminate the obligation.