

## **Comments on the April 2011 Exposure Draft**

### **IES 4, Professional Values, Ethics, and Attitudes**

CPA Australia commends the IAESB on the new drafting conventions believing that they enhance the clarity and intelligibility of standards. This is particularly important for cross-cultural communications.

#### **Comments on Significant Issues**

##### ***Learning Outcome Approach***

CPA Australia endorses this approach. It is consistent with modern pedagogies in business and management education, and the contemporary approaches by governmental and global accreditation agencies for assuring quality learning outcomes. Prescriptive inputs typically are confined to matters of content and assessment (all of which are important), but of themselves do not assure an array of quality learning outcomes that go beyond the mastery of prescribed subject matters – such as the capacity and desire for continuous learning, and the practised development of broad scope ‘generic’ skills.

##### ***Reflective Activity***

CPA Australia appreciates the explanation of ‘reflective activity’ (paragraphs 11 and A16-A18), and endorses the approach taken in the Exposure Draft. We raise a concern in relation to the documentation of ethical dilemmas encountered by professional accountants; namely, the need for prudence in relation to matters of privacy and potential exposure to legal action should individual persons or organisations be identified in the record. Additionally, reflective activity may be difficult to assess. If reflective activity is going to be a requirement that does not contribute to assessment it may not be adequately fulfilled while assessing reflection may give rise to a number of difficulties.

##### ***Assessment of a Program Containing Ethics, Value and Attitudes***

CPA Australia supports the requirement of a formal assessment of learning.

#### **Responses to Specific Questions**

1. The IAESB recognises the importance of including reflection in ethics education:

***Question 1: Is the proposed requirement for reflective activity in relation to ethics education appropriate?***

As noted above, CPA Australia is sympathetic with the apparent intention of the proposed requirement for reflective activity (paragraph 11), but suggests that the IAESB provides explanation and guidance on the nature and content of the documentation of actual ethical dilemmas and critical incidents.

***Question 2: Does this requirement raise implementation issues?***

CPA Australia does foresee potential implementation difficulties with the proposed requirement – not in relation to the inclusion of reflective activity in the learning and development of professional accountants; but in the nature, scale and frequency of the authentication of the records of that activity.

2. The proposed IES 4 has also been redrafted according to the guidelines provided in the IAESB Drafting Conventions:

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

CPA Australia supports the thrust of the stated objective. We wonder, however, whether professional bodies can actually ‘prepare’ aspiring professional accountants for ‘demonstrating’ ethics, values and attitudes – as distinct from ‘educating’ them about those matters (and their importance) with the objective of enhancing their understanding of and commitment to ethical propriety, values and behaviour. Ultimately, professional bodies can facilitate learning about ethics and enforce compliance with codes of ethics. They can improve moral awareness which in turn may contribute to more ethical judgements and behaviours.

***Question 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?***

CPA Australia believes the stated criteria for determining the requirements of a Standard are met in the case of the proposed requirement.

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

While CPA Australia has not identified any terms that need further explanation, we wonder whether the use of ‘competence’ in paragraph 12 is appropriate. We propose that ‘understanding’ may be a better term in the context of professional values, ethics and attitude.

**Comments on Other Matters:**

The title of this standard may be inconsistent with the Code of Ethics for Professional Accountants, which refers to fundamental ethical principles. It is not clear whether the title refers to professional values, professional ethics and professional attitudes. Values and principles form the basis of ethics, while values and beliefs towards a particular issue form an attitude. A simpler title consistent with the Code may be preferable.

Paragraph 6 refers specifically to work roles but ethical behaviour is expected of professional accountants beyond the constraints of their work.

Paragraph 7 refers to a framework of professional values, ethics and attitudes. It is not clear whether values and ethics form a framework since values are part of ethics. Reference to ‘a clear understanding of the fundamental ethical principles and the fundamental importance to act in the public interest’ may be clearer.

Paragraph 9 states that the professional values, ethics and attitudes shall be based on ethical concepts, theories and the fundamental principles. The definition of an ethical concept is not specified; what is the difference between a concept and a theory and what is the relationship between those and the fundamental principles.

Paragraph 10, point 2, may be clearer if it mentions normative and descriptive theories of ethics instead of rules based and framework. Alternatively reference may be made to a rules based or values based approaches to ethics.

Paragraph 10, points 6 and 7, may be more effective if they refer to 'evaluate' and 'analyse' rather than compare.

A2: Professional values, ethics and attitudes are defined as the professional behaviours and characteristics. Values and attitudes do not necessarily lead to ethical behaviour because ethical behaviour is affected by the person (values, attitudes etc.), the environment/context and the issue.

A7: The distinction between ethical issues faced by all accountants and those encountered by accountants in the workplace is not clear.

A10: Ethical principles is used in this paragraph. Are these the same as values and ethics? Consistent terminology may make the implementation of this standard easier.

A12: Mentions that national and cultural environment and objectives ought to be taken into account but it is not clear what objectives the reference is for.

A13: Suggests that some aspects of classroom education may be replaced by practical experience. It is not clear how measurable practical experience may be offered on ethical behaviour.