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Dear Sir,

Proposed Revised International Education Standard (IES) 4, Professional Values, Ethics, and Attitudes

BDO is pleased to have the opportunity to comment on the above exposure draft issued by the International Accounting Education Standards Board (IAESB). We set out below our responses to the IAESB's questions in the explanatory memorandum accompanying the exposure draft.

We support the IAESB's project to redraft and revise where appropriate all of the IES's in accordance with the clarity drafting conventions as set out in the Framework for International Education Standards for Professional Accountants.

Responses to Specific Questions

1. Is the proposed requirement for reflective activity in relation to ethics education appropriate?

Yes, we believe the requirement is appropriate and agree that it is an important element in the development of an ethical professional accountant. However we believe there may be some unintended consequences from the information included in the explanatory materials to support the requirement. For example, there could be sensitivity and client confidentiality issues as a result of documenting ethical matters arising in the workplace (e.g. dealing with co-workers or clients), and associated legal issues such as whether any such documentation would belong strictly to the aspiring professional accountant or to the employer.

The inclusion of a 'critical incident log' in paragraph A17 implies an internal piece of documentation which would be maintained by an employer rather than an individual aspiring professional accountant and we recommend that this particular example be removed. We believe the explanatory materials should include additional guidance to member bodies to remind aspiring professional accountants of the need to safeguard client confidentiality as part of the documentation of their reflective experiences.

2. Does this requirement raise implementation issues?

Our understanding of this requirement raises the question as to whether or not there would be any recommendation for a mentor or supervisor to review the ethical situations or related documentation with the aspiring professional accountant. The exposure draft of IES 4 is silent in regards to whether a review is required as well as 'who' would be expected to undertake the review of the aspiring professional accountant's reflective activity. We recommend that further guidance on the matter of reviews be included in the explanatory materials.

Additionally, we support the use of the 'formalized and documented' language that is included in paragraph 11. However, its use raises issues such as:

- the acceptability of exclusively using one or two methods (e.g. case studies, attendance at seminars) versus encouragement of use of a variety of methods (e.g. including real life experiences);
- the rigor of the process for verification of reflective activity; and
- whether it is recommended for a mentor or supervisor to view the documentation or whether it is equally acceptable for the professional accountants to simply provide an affirmation directly to a member body or mentor or supervisor.

We recommend that the explanatory materials include guidance on these issues.

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

We believe the objective to be achieved by a member body, as stated in the first sentence of paragraph 6, to be appropriate; however we believe it could be further improved by adding reference to the professional accountant as there is a requirement in the standard, specifically paragraph 12, which relates only to the professional accountant. We recommend that paragraph 6 is amended as follows (additions are shown in bold italics and deletions in strikethrough text):

...prepare aspiring professional accountants *and to continually educate/train the professional accountant* for demonstrating the...

In addition, we do not believe the second sentence is required as this is providing additional justification to support the objective. We suggest this sentence is deleted or moved to the explanatory materials.

The draft objective is an improvement on the previous format that has been used in the IES 7 exposure draft which noted 'the objective of setting requirements' rather than the 'objective of a member body' as in this IES 4 exposure draft. By using this phraseology it is very clear to 'whom' the IES is being addressed.

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?

Yes, we believe the criteria have been applied appropriately and consistently. We also support the move, in this exposure draft, to a learning-outcome based approach which is more indicative of a principles-based IES. In particular, we support the revision of the requirements in the previous paragraph 16 (of the extant IES 4) and the improved wording in an 'outcome' context of the new requirements of paragraph 10.

We have set out below some additional comments to support the requirements being applied appropriately and consistently.

Paragraph 4 and paragraph 8

We believe that paragraph 4 could be read to imply that IES 4 integrates the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) into professional accounting education. However, the IES only includes the 'general application' sections of the Code and does not include the elements of the Code relating to professional accountants operating in public practice or in business. We would expect the Scope section of the IES to be very clear about what is included or not included from the Code.

We believe this is particularly important in paragraph 8, where we suggest the following change to ensure that member bodies are not confused by the reference to the Code:

...shall integrate the IESBA Code's "*General Application of the Code*", including...

In addition, we recommend that further clarity is added to paragraph 8 to make it clear that the requirement is written in the context of aspiring professional accountants; otherwise, the reader may interpret the requirement as being written for all professional accountants. We suggest the following amendment is made:

...learning and development activities *for aspiring professional accountants*.

Paragraph 10

We believe the sixth bullet point ('compare concepts of objectivity, professional skepticism, accountability, and public expectations;') may not be clear to all readers with respect to whether or not the comparison is intended to mean with each other.

Paragraph 11

We believe that this paragraph could also be read to imply that the requirement for member bodies is to 'design' learning & development activities. This might be impractical for a number of reasons, but primarily due to the associated responsibility in respect of:

- the setting of content;
- determination of modules of learning;
- development of curricula; and
- creation of learning materials.

Some or all of these aspects of design may be outside the control of the member body, and yet there is no mention of this in the explanatory materials. We believe that further guidance should be provided to member bodies in terms of their precise requirements, particularly bearing in mind that designing materials may be onerous for member bodies in developing parts of the world or where member bodies have limited resources. We recommend that the standard clarify that providing training is not necessarily the role of IFAC member bodies; rather, their role is to set the requirements and overall guidelines (for example, curricula) for training providers but they are not required to be the training providers subject to any local laws and regulations requiring this.

Paragraph 12

We believe that there could be confusion as to why the assessment processes apply only to professional accountants and not to aspiring professional accountants as well. We recommend that this be clarified (or amended, if appropriate), including the rationale. It might appear from this paragraph that assessment of professional values, ethics, and attitudes is important only for professional accountants and we do not believe it was the IAESB's intention to convey the message that such assessment processes do not also apply to aspiring professional accountants.

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

We note that certain phrases are potentially subject to diverse interpretation, such as:

- 'appropriate assessment processes' in paragraph 12; and
- 'an appropriate mix based on input, output, and process measures' in paragraph A19.

What is 'appropriate' to one individual may not be 'appropriate' to another and therefore we recommend that further guidance is provided in the explanatory materials to ensure there is consistent application by member bodies.

We believe it may not be clear to readers what is meant by 'technical standards' referred to in the last bullet point of paragraph 10. This could refer to accounting standards, auditing standards, review standards, ethical standards, other standards, etc., or some combination thereof. We recommend that consideration is given to including a definition in the IAESB Glossary of Terms to clarify what is meant by 'technical standards'.

The definition of 'reflective activity' proposed in the conforming amendments to the IAESB Glossary of Terms appears to be a combination of a definition and guidance rather than a pure definition. We recommend that the guidance element ('can be used by professional accountants at all stages of their careers') is removed from the definition and only included in the explanatory materials. In addition it is not clear whether an aspiring professional accountant would be considered to be included within the meaning of 'professional accountants at all stages of their careers'. We recommend that paragraph A16 is amended as follows:

Reflective activity is the practice of documenting experiences and considering what approach may be taken in the future in similar circumstances and can be used by professional accountants, including aspiring professional accountants at all stages of their career.

We note that paragraph A1 appears to simply repeat the glossary definition of an aspiring professional accountant. We believe a more helpful alternative would be for the paragraph to expand on the definition, including an explanation of the distinction between an aspiring professional accountant and a professional accountant.

Other comments

Scope

We believe it will be helpful to clarify that although IES 4 is concerned principally with initial professional development (IPD), inevitably these founding principles will continue into continuing professional development (CPD). A suggested addition to the Scope section is:

Although learning and development continue throughout the career of a professional accountant, this IES is focused on the IPD phase of an aspiring professional accountant. The professional values, ethics, and attitudes achieved during IPD will inevitably be relevant to CPD as the professional accountant's career changes and he or she gains exposure to a wider range of ethical issues or situations.

Paragraph A7

We believe that this paragraph could be read to imply that the public interest is being served due to the contribution to trust in capital markets. We find it somewhat restrictive to focus only on 'capital markets' as there is a role for professional accountants working to safeguard the public interest whilst operating in privately owned businesses, public corporations, and other public interest entities who, whilst not holding debt on capital markets, do have a role in providing goods and services to society, employing individuals, and contributing to tax revenues within their jurisdictions.

Paragraph A6

We recommend that the meaning of 'everything' within this paragraph is clarified such that there is no question as to whether it represents everything, both inside and outside the workplace, versus everything in professional accountants' role as professional accountants.

Otherwise it will not be clear whether the intent is that all of non-work life is to be governed by the same set of professional values, ethics, and attitudes.

Comments on other matters

We would support the development of an electronically integrated set of IESs which when linked directly to the glossary would enable the user (online or offline) to navigate successfully the suite of IESs. This would remove the need for the placing of occasional definitions in the text of each IES and would also enable the user of each IES to have an immediate source of information rather than having to seek out a glossary.

With respect to translations, we would support continuing efforts to improve the availability of translations in respect of exposure drafts and final pronouncements. We have no comments in respect of developing nations other than the point raised on paragraph 11 in response to question 4. We have no specific comments on the proposed effective date.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Wayne Kolins
Global Head of Audit and Accounting