

July 13, 2011

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West, 4th Floor
Toronto, Ontario M5V 3H2 CANADA

Re: Proposed Revised International Education Standard 4: Professional Values, Ethics, and Attitudes

We are pleased to have this opportunity to comment on the proposed revised International Education Standard 4 on Professional Values, Ethics and Attitudes (“the revised IES 4”).

Our comments are based on consultation with a number of our members who have responsibility for pre- and post-qualification professional learning and development, both at the CICA and the Provincial Institutes of Chartered Accountants/Ordre des Comptables Agréés du Québec.

Overall, we agree with the following significant issues raised in the Explanatory Memorandum:

- a) That the revised IES 4 should provide a learning outcome approach that specifies the appropriate depth of education in professional values, ethics and attitudes needed to become a professional accountant;
- b) That reflective activity is an important element of learning and development (as specifically identified in the recently published *Framework for International Education Standards For Professional Accountants*); and
- c) That assessment of competence is an important element of learning and development.

However, we make the following observations:

- a) In establishing the “appropriate depth of education in professional values, ethics and attitudes” for the revised IES 4, the IAESB should ensure that the structure, approach and terminology that is used, is consistent with that adopted for the revised IES 2 *Content of Professional Accounting Education Programs*. We would recommend that the revised IES 4 (in particular, Paragraph 10) not be finalized until IES 2 is revised and redrafted and the approach in IES 4 is reviewed for consistency.
- b) As important an element as “reflective activity” is in learning and development, we disagree with the IAESB decision to set it out as a formal requirement. Establishing a “bright line” in this manner – selecting one approach to learning and development from a number of equally reliable and valid approaches - is inconsistent with the IAESB’s philosophy noted in the Explanatory Memorandum, “It is the intention of the IAESB to move towards more principle-based standards.” In addition, it may raise significant implementation issues for Member Bodies.

- c) Although we agree with the IAESB decision to emphasize assessment of competence in each of the revised IESs in addition to a general standard on assessment, IES 6 *Assessment of Professional Capabilities and Competence*, we see no added value in what has been included in Paragraph 12 (and Explanatory Materials, paragraph A19) for the assessment of professional values, ethics and attitudes to what might appear in the revised IES 6. If reference to assessment is to be included in each of the revised IESs, we would expect it to add more than what is addressed in IES 6.
- d) The Scope of the revised IES 4 suggests that “aspects of this IES are also relevant to CPD.” And yet the Objective section does not include a specific objective re: CPD. It appears, but it is not clear, that only Paragraph 12 applies to professional accountants.

We would encourage the IAESB to be clear on the objectives and requirements of Member Bodies for their members and for their aspiring professional accountants. IPD and CPD sub-headings within the Requirements section should be considered.

We also do not think that statements such as “aspects of this IES are also relevant to CPD” are particularly helpful in understanding Member Body expectations and responsibilities.

Our detailed comments on the revised IES 4 are attached. We hope that they are helpful.

Sincerely yours,

Tashia Batstone, CA
Chair, Professional Learning Committee
President and CEO
Institute of Chartered Accountants of Newfoundland and Labrador

ATTACHMENT

Response to Proposed Revised International Education Standard 4: Professional Values, Ethics, and Attitudes

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

The requirement for “formalized and documented” reflective activity seems more rule-based than principles-based. It was unexpected by a number of our reviewers. The Explanatory Memorandum suggests that the new standards would be principles-based. *“It is the intention of the IAESB to move towards more principle-based standards and one way of doing this is to redraft the coverage of topics into one based on learning outcomes.”*

Paragraph A12 states that educators are “encouraged to identify the most appropriate approach to learning and development” for professional values, ethics and attitudes.

International Education Practice Statement 1 : Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes, although not a Requirement, also advocates a number of learning methods in ethics education and concludes with *“IFAC member bodies are encouraged to try a range of assessment techniques to better test individuals’ abilities to consider and resolve real ethical issues.”*

It was generally felt that it would be more consistent with the intention of the IAESB, to focus on the learning outcomes for ethics education, leaving the choice of learning and development activities and assessment activities to the Member Body.

Question 2: Does this requirement raise implementation issues?

There were several questions as to the nature of the reflective activity to be required by a Member Body, the frequency and sufficiency – issues not specifically addressed in the Requirements or Explanatory Materials.

Should for example, the reflective activity be in relation to “lessons learned from ethical dilemmas” as proposed in Paragraph 11 or should it be in relation to the more specific learning outcomes of Paragraph 10?

How often would “reflective activity” be required? What amount of formal documentation would be necessary? Sufficient?

Reflective activity in the workplace would be very difficult to monitor. Employers are hesitant to share evidence of formal, documented reflection in relation to ethical dilemmas in the workplace. Simulation or class room experience may be more acceptable but would require Member Body control/influence over education programs to implement. Implementation could be difficult.

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

The Objective to be achieved by a Member Body is appropriate as stated **IF** the scope of the revised IES 4 applied only to aspiring professional accountants.

However, we do not believe this was the intention. The Scope of the revised IES 4 states that “aspects of this IES are also relevant to Continuing Professional Development (CPD).” And the revised IES 4 includes a Requirement (Paragraph 12) that applies specifically to professional accountants.

The revised IES 4 needs to include the ongoing CPD objective(s) of the Member Body in the development of professional values, ethics and attitudes. It appears to be focused solely on initial professional development.

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?

We believe so.

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

The definition of “reflective activity” was questioned by our reviewers. As drafted, it is defined as “the practice of documenting experiences relating to lessons learned from ethical dilemmas...” Our reviewers believed this wording to be a more narrow definition of reflective activity than necessary or implied by the recently released *Framework For International Education Standards For Professional Accountants* (“the Framework”).

Reflection (and reflective activity) is included in the Framework as a general learning and development activity – applicable to, but not exclusive to, lessons learned from ethical dilemmas. The proposed definition seems to suggest that reflection is an activity related only to ethical dilemmas.

In addition, the proposed definition places emphasis on the practice of documentation. Reflection should be more than documentation. It includes activities such as those referred to in Paragraphs A9 and A10 of the revised IES 4, e.g. identifying any apparent ethical implications and conflicts in their work, forming views on such occurrences and discussing them with supervisors. It was pointed out by one reviewer that reflection may or may not need to be documented to achieve the expected learning outcomes.

For consideration:

Reflective Activity:

“The practice of considering lessons learned from experiences and what approach may be taken in the future in similar circumstances.”

Other Comments:

1. Paragraph 12 - Requirement of a Member Body for Ethics CPD

There is some confusion as to what is meant by requiring Member Bodies to “establish appropriate processes that measure the competence of professional accountants”.

- Some reviewers read Paragraph 12 as a new requirement for Member Bodies, requiring them to establish ongoing ethics education /assessment of professional accountants.
- Others interpreted Paragraph 12 as similar to the redrafted IES 7 – “*to monitor and enforce a systematic process to ensure that their members meet the requirements*” of the revised IES 4. However there is no reference in the Explanatory Materials to potential monitoring and enforcement approaches available to Member Bodies, as there was in the redrafted IES 7.

It would be a significant change for an IFAC Member Body to require continuing ethics education for professional accountants as part of their CPD program. If this is the intent of the IAESB, it should be made clear.

If the intention of the IAESB is the latter interpretation, that too could be made clearer.

2. Paragraph 10 - Learning Outcomes for Aspiring Professional Accountants

- a. The level of proficiency in the bullets (except for the last two bullets) is generally “explain” or “compare”. At first glance, these proposed skill levels appear low for an aspiring professional accountant. For example, *IEPS 1: Approaches to Developing And Maintaining Professional Values, Ethics and Attitudes* suggests

that integration of ethical issues across functional disciplines should be a part of initial professional development (IEPS 1: Paragraphs 37-38). We would agree.

- b. Paragraph 10 presents a very detailed and specific list of ethics topics – more so than in other IESs. The IAESB should ensure that the approach, terminology and the cognitive skill levels that are used in these bullets to describe outcomes is consistent with that adopted for the revised IES 2 *Content of Professional Accounting Education Programs*.
- c. In bullet six, what does it mean to “compare” the four concepts of objectivity, professional skepticism, accountability, and public expectations? Rather than compared, we would expect these concepts to be integrated into an aspiring professional accountant’s decision-making skills as part of initial professional development.
- d. In bullet eight, rather than “apply the fundamental ethical principles”, we would suggest “apply the professional values, ethics and attitudes”.
- e. Paragraph 10 has been written only for the aspiring professional accountant. Ethics competency requirements for professional accountants are not specified in the revised IES 4. If continuing professional development is intended to be within the scope of this IES, the IAESB should give consideration to providing guidance on the competency expectations for the professional accountant. Paragraph 12 refers to measuring the competence of professional accountants but does not provide a standard against which they should be measured.

3. Paragraph 8 - Reference to the IESBA Code

Paragraph 8 has been modified from the extant IES 4 to require Member Bodies to integrate the IESBA Code, including any local requirements, into learning and development activities. Most member Bodies base their programs on local requirements first, with subsequent reference to the IESBA Code. We would suggest that a slight re-wording of the extant IES 4 is more appropriate:

IFAC Member Bodies shall integrate the relevant local codes of ethics, which should be in conformity with the IESBA Code.

4. Paragraph A16 - Explanatory Materials

Paragraph A16 simply repeats what is currently in the definition of “reflective activity”. It appears not very explanatory.