



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

July 8, 2011

Dear Madame/Sir

IFAC International Accounting Education Standards Board (IAESB) – Proposed International Education Standard (IES) 4, *Professional Values, Ethics and Attitudes* (revised and redrafted)

We appreciate the opportunity to respond to the IAESB's Exposure Draft on the proposed changes to IES 4: Professional Values, Ethics and Attitudes. This response is made on behalf of PricewaterhouseCoopers. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We recognize that IES 4 is intended to serve the public interest in establishing standards to better ensure the competence of professional accountants. We welcome the redrafting of this standard as part of the IAESB project to revise and redraft IESs 1 – 8, building on the concepts and principles of the *Framework for International Education Standards for Professional Accountants (the Framework)* and the *IAESB Drafting Conventions (the Drafting Conventions)* and aiming to ensure consistent application by reducing ambiguity about the requirements imposed on an IFAC member body. We also recognize that in redrafting the standards the IAESB intends to clarify issues arising from changes in the environment of accounting education and the experience gained from implementation of the IESs by IFAC member bodies.

We believe that the redrafted IES4 appropriately focuses on the responsibilities of IFAC member bodies, that the requirements in the Exposure Draft will promote consistency in implementation by IFAC member bodies and, subject to our comments about the new requirements below, that the requirements of this standard serve the public interest. We commend the IAESB in that redrafted IES 4 is shorter than the extant standard while preserving the spirit of the current requirements.

We note that there are three new requirements in redrafted IES 4 regarding reflective activities, the IESBA Code of Ethics and assessment. Our comments on these new requirements are included in our answers to the questions below.

We respond below first to the questions raised in the Request for Comments section of the Exposure Draft and then provide a few other comments to consider in finalizing the standard. All paragraph references (Para XX) are to the IES 4 Exposure Draft unless otherwise indicated.

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Our response to the five questions posed in the Request for Specific Comments section of the Exposure Draft

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

We support a requirement that programs on professional values, ethics and attitudes contain reflective activities. We do not support a requirement that the learning design of reflective activities be “formalized and documented”. While this aspect of the proposed new requirement is intended to ensure a certain level of learning effectiveness in program design, we believe that it unnecessarily interferes with program design and the selection of activities which result in the most effective learning experience. Further, because this recommendation deals with a detail of program design, it departs from the IAESB’s understood intention to be more principles-based in redrafting the IESs.

Question 2: Does this requirement raise implementation issues?

We agree that formalising and documenting reflective activities can contribute to learning and we recommend that the standard move this requirement to the explanatory material along with the other good recommendations on effective program design (Paras A14, A15 and A18). We believe that the recommendations in those paragraphs regarding participative learning design are as important as documenting reflective activities. However, neither should be a requirement. Also, to require that reflective activities be formalised and documented by learners creates a potentially onerous monitoring responsibility for IFAC member bodies which would not be the best use of their time and resources.

Further, rather than requiring documentation of reflective activities it would be more in keeping with the IAESB’s focus on outputs to require that the *assessment* of professional values, ethics and attitudes be done in a way that students demonstrate appropriate professional judgement which is the intended result of reflective activities.

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

We believe that the objective to be achieved by a member body is appropriate:

"The objective of a member body is to prepare aspiring professional accountants for demonstrating the professional values, ethics, and attitudes required to perform the work roles of a professional accountant. This lays the foundation for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant’s career."

We suggest that the objective could be put more succinctly as follows:

"The objective of a member body is to inculcate in aspiring professional accountants the professional values, ethics, and attitudes required of a professional accountant. This lays the foundation for the ongoing development and application of these values, ethics, and attitudes throughout the professional accountant’s career."

To further shorten the objective, the second sentence, while true and possibly a useful statement for the explanatory material, could be removed from the objective.



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 that the requirements in the IES 4 Exposure Draft do not consistently meet the three criteria specified by the IAESB for a requirement to be specified in a standard. That is, that

- The requirement is necessary to achieve the objective stated in the Standard;
- The requirement is expected to be applicable in virtually all situations to which the Standard is relevant; and
- The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.

Reflective Activities - We believe that the requirement to formalize and document reflective activities (Para 11) does not meet the first criteria above. Reflective activities can be a powerful element of learning if well designed, but this is also true of many other types of learning activities. Also, *any* impactful learning experience will foster reflection. It is also true that any learning activities, including formalized and documented reflective activities, can have minimal learning impact if poorly designed. Accordingly, a requirement to formalize and document reflective activities is not necessary to achieve the objective of the standard.

The IESBA Code - We believe that the requirements to, “integrate the IESBA Code, including any additional local requirements, into learning and development activities” (Para 8) and to, “establish that the learning and development...includes developing the ability to...apply the IESBA Code to professional behaviour...” (Para 10, last bullet) do not meet the first criteria above. These requirements appear to require that the IESBA Code be the primary reference for standards about ethics in learning and development activities and that local codes be referenced only where they contain additional requirements.

Learning impact increases with personal relevance which for aspiring professional accountants rests in the codes of ethics of their local member bodies and regulatory authorities. The requirements regarding the IESBA Code in the IES 4 exposure draft could therefore actually interfere with achieving the objective of the standard by decreasing potential interest in and learning about applicable codes. We recommend that the requirement in IES 4 revert to a requirement similar to Para 14 of the extant IES 4 which refers to local codes, possibly requiring add-ons from the IESBA Code if the local code is deficient.

We note here the IAASB’s approach in the ISAs. ISA 200 Para 14 requires that, “The auditor shall comply with relevant ethical requirements ...”. The accompanying explanatory material (Para A14) says, “Relevant ethical requirements ordinarily comprise Parts A and B of the International Federation of Accountants Code of Ethics for Professional Accountants (the IFAC Code) related to the audit of financial statements together with national requirements that are more restrictive.” We do not believe that the IAESB standards should require a more strict reference to the IESBA Code than the IAASB standards.

Assessment - IES 6 in both the extant and redrafted versions requires assessment of IPD while IPD includes the requirements of IES 4. Therefore a separate requirement in IES 4 for an assessment of professional values, ethics and attitudes appears to overlap with the requirements of IES 6. We believe that the third criteria above should apply here and that requirements for assessment should be left in IES 6 to avoid overlap between IESs. This is not a significant issue from our perspective in terms of clarity but rather a matter of fidelity to the IAESB’s criteria for requirements in a standard.



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

- (1) Redrafted IES 4 proposes that a definition be added to the IAESB Glossary for the term “reflective activities”. We have two comments on the proposed definition. First, it is written as a persuasive statement about the ongoing utility of reflective activities rather than as a definition of a term. Second, it seems arbitrary to include a requirement for documentation in a definition as the learning industry and many stakeholders would likely define reflective activities as intellectual processes and not in terms of documentation. Should the requirement for documentation remain in the final standard, we recommend that it remain only in the requirements and not in the definition.
- (2) Users of the standard may have difficulty distinguishing between the possible forms of evidence of reflective activity presented in Para A17. It would be helpful to explain how these forms differ from each other. Should the differences prove to be minor, consider whether this paragraph can be deleted.

Developing Nations

We believe that the requirements of this standard are appropriate for developing nations and have no comment regarding implementation difficulties.

Translation

The forms of evidence of reflective activity presented in Para 17 could present translation difficulties if translators are not clear on the nature of and differences between these forms.

Effective Date

If any of the revisions in draft IES 4 would require member bodies to change their syllabus of studies or their assessment requirements for aspiring professional accountants, then the proposed implementation period of 12 – 15 months may be too short. Such changes would need to be properly communicated to various stakeholders in advance of implementation. We defer to the responses of IFAC member bodies on this point.

Other Comments

We support the use of required learning outcomes in Para 10 of the redrafted standard to replace the required topics in Para 16 of extant IES 4. We commend the IAESB for preserving the substance of the topics in making this shift from topics to learning outcomes.

We note that the definition of reflective activities proposed for the IAESB glossary includes that such activities are documented. If this definition stands, which we do not recommend, then the proposed requirement that they be documented is redundant and all that is necessary is that reflective activities be required. We have commented further on the proposed definition under Question 5 above.

Closing remarks

We commend the IAESB for issuing this Exposure Draft of redrafted IES 4.



We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Christine Adshead, Global Assurance Learning and Education Partner on (44(0) 161 245 2529).

Yours faithfully,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP