

11 October 2012

Mr. David McPeak
Senior Technical Manager
International Accounting Education Standards Board
277 Wellington Street West, 4th Floor
Toronto, Ontario
M5V 3H2 Canada

Dear Mr. McPeak:

Proposed Revised International Education Standard 4 – Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised)

Ernst & Young Global Limited, the central entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the proposed Revised International Education Standard 4 (the Standard), issued by the International Accounting Education Standards Board (the Board).

Overall Comments

We support the efforts of the Board to set Initial Professional Development (IPD) requirements for IFAC member bodies to impose on their members before they qualify as professional accountants. In addition, we support the focus on learning outcomes instead of subject areas. We are pleased to see that the structure of IES 4 will conform to the format to be applied consistently across IESs 2, 3, 4, and 8.

We are in general agreement with the proposed Standard. However, our preference is to create one IPD standard to more broadly address the whole spectrum of technical and non-technical skills that are required of aspiring professional accountants. We find it artificial to separate IPD into three standards as it results in duplicative paragraphs across IES 2, 3, and 4 and is confusing to the user to have IPD requirements in three standards. Therefore, we believe the content that is contained in IES 2, 3, and 4 should be combined into one IPD standard.

We also believe the objective of the standard should be revised. We question if the IFAC member body is providing aspiring professional accountants with the professional values, ethics, and attitudes or if they are responsible for incorporating the essential elements of the learning outcomes into education and professional development programs for the accountancy profession. In our view, the IFAC member body is providing the opportunity or the environment to learn professional values, ethics, and attitudes and to assess that the level achieved matches the requirements of the revised IES 4, but does not provide professional values, ethics, and attitudes by itself.

Responses to the specific questions on which the Board is seeking feedback are set out in Section 1 below. Our other comments, including general editorial comments, are set out in section 2.

1. Specific questions related to the proposed revisions to the Standard

Question 1: Do you agree with the tabular format adopted for learning outcomes?

Yes, we agree with the tabular format adopted for learning outcomes.

Question 2: Do you agree with the competence areas identified for ethics education?

Yes, we agree with the competence areas identified for professional values, ethics and attitudes.

Question 3: Do you agree with the minimum levels of proficiency as identified for each competence area?

Yes, we agree with the minimum levels of proficiency identified for the ethical principles competence area. We disagree with the minimum proficiency levels for (a) Professional skepticism and professional judgment and (c) Commitment to the public interest.

While we agree with the required minimum level of proficiency, we disagree with some of the proposed learning outcomes as they suggest higher minimum proficiency levels than the one stated. This relates to professional skepticism and professional judgment. The use of the verb evaluate in (a) (ii) indicates that the minimum level of proficiency should be advanced for the competence area professional skepticism and professional judgment. Since we believe the minimum level of proficiency for this competence area should be intermediate, we suggest that learning outcome (a) (ii) be revised as follows: Identify and apply reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.

Question 4: Do you agree with the learning outcomes related to professional skepticism and professional judgment identified are appropriate for ethics education?

Yes, we agree with the learning outcomes related to professional skepticism and professional judgment.

Question 5: Does Appendix 1 of the proposed IES 4 Exposure Draft (June 2012) provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 11 of the proposed IES 4 Exposure Draft (June 2012)? If not, what changes do you suggest?

Yes, Appendix 1 of the proposed IES 4 provides clarification to assist in the interpretation of the learning outcomes listed in paragraph 11. However, we believe the sentence describing that the learning outcomes relate to work situations that are characterized by... in the description section for each level of proficiency should be removed. We believe inclusion of this sentence creates confusion. In addition, the Advanced and Mastery level both indicate that learning outcomes at these levels relate to situations that are characterized by high levels of ambiguity, complexity, and uncertainty. The learning outcomes at the Advanced and Mastery levels are expected to be different and therefore having the same statement for both levels of proficiency is confusing.

Question 6: Are there any terms within the proposed IES 4 Exposure Draft (June 2012) which requires further clarification? If so, please explain the nature of the deficiencies?

We have not identified any such terms.

Question 7: Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the new requirements included in this proposed IES 4 Exposure Draft (June 2012)?

No. We are not a member body so the requirements in this IES are not directly applicable to our Firm. However, the requirements, as drafted, will be useful to provide input as we are designing, delivering, and assessing education for professional accountants within our Firm, although we do not expect major changes to the content of such education programs. We do not anticipate any implications to organizations with which we are familiar in implementing the new requirements included in proposed IES 4. We believe the effective date of IES 4 should coincide with the effective date of IES 2, IES 3, and IES 8.

2. Other comments

We offer the following drafting suggestions for your consideration:

- Paragraph 8 indicates the following: The objective of an IFAC member body is to provide aspiring professional accountants with the professional values, ethics, and attitudes required to perform a role of a professional accountant. We suggest this paragraph be revised as follows: The objective of an IFAC member body is to incorporate the essential elements of professional values, ethics, and attitudes into IPD to ensure members have the opportunity to obtain the professional competencies required to perform a role of a professional accountant.
- Paragraph 9: Is missing a close parenthesis after b.
- Table A (e) (v) we suggest the following change: Explain the nature of ethics and its significance in a business environment.
- Paragraph A8: The content of this paragraph does not provide much explanation in enumerating a selection of competence area for each of the proposed revised IESs 2, 3 and 4. In addition, inclusion of this paragraph provides additional support for the need to consolidate the content from the three IPD IESs into one IES. This also suggests that a definition of the three components of professional competence (professional knowledge, professional skills and professional values, ethics and attitudes) should be provided. If the Board decides to keep these enumerations, then a complete listing of the competence areas should be provided to avoid giving the impression that some competence areas are more important than others.
- The words “and issues” should be removed from the heading above Paragraph A24 to make it agree with the competence areas in Paragraph 11, Table A of this IES.
- Paragraph A34: Examples of the types of guidance that IFAC member bodies may provide on how to support reflective activity should be provided in the application materials.

We would be pleased to discuss our comments with members of the International Accounting Education Standards Board or its staff. If you wish to do so, please contact Karen Golz (+ 212 773 8001) or Dan Montgomery (+1 216 583 2949).

Yours sincerely,

Ernst & Young Global Limited