

The Board Members
International Accounting Education Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York 10017 USA

11 October 2012

Dear Board Members:

Re: Comments on Proposed International Education Standard 4

Initial Professional Development : Professional Values, Ethics and Attitudes (Revised).

Thank you for giving us this opportunity to convey our impression of the proposed standard:

[Abbreviations: p. = paragraph in the Standard followed by number (capital "A" with number refers to the para in the "Explanatory Material"), proposed standard = IES-4, IAESB= International Accounting Education Standards Board, IES = International Education Standard, IFAC= International Federation of Accountants, IPD = Initial Professional Development]

1. Principal Implementation Mechanism Missing >>

The IES is silent on how the IAESB will monitor and assist the IFAC member bodies in implementing its requirements (p.9-14).

The proposed standard states: "This IES is addressed to International Federation of Accountants (IFAC) member bodies. The IFAC member bodies have responsibility of ensuring that IPD meets the requirements of this IES" (p.2).

The IES is should incorporate the role and responsibilities of IAESB in monitoring and assisting IFAC member bodies in implementing the proposed standard.

The IAESB needs to do exactly what it prescribes for IFAC member bodies to do: "establish appropriate assessment activities to assess the development of professional values, ethics, and attitudes of" (p.14) IFAC member bodies periodically.

The rapidly-changing complex environment (A29) warrants IAESB to assume an active role in facilitating IFAC member bodies in implementing its standards. This may be achieved by creating some kind of mechanism in the form of task force or commission at the time of approving an IES.

The role of IAESB need not come to an end once a proposed standard is approved. The IAESB must stand by its member bodies to face the process of addressing the difficulties found in implementing them.

Such collaboration and its disclosure in form of some kind of annual report on progress would also enable professional accountants of an IFAC member body to know how attentive and sincerely the international requirements of IES have been accorded. Putting in place some kind of rating mechanism that measures such progress can be even better.

2. The Issue of Varying Interpretations by IFAC Member Bodies >>

The standard provides unwarranted [and largely undesirable] flexibility and liberty to the member bodies in its interpretation and implementation of the IES (notice the use the term “shall” to press mandatory nature of compliance with its requirements p.9-14).

Let us take p.12 to p.14 as example.

Para 12: “IFAC member bodies shall regularly review and upgrade accounting education programs...”.

The word “regular” is open to wide interpretation. For an IFAC member body regular may be one year when read with A29 or anything up to five years. How can all intervals be considered “regular”?

Para 13: “IFAC member bodies shall design learning and development activities... to include reflective activity that is formalised and documented”.

Read with A32, there is guidance on what such documentation may include. The IES is however completely silent on what is meant by the term “formalisation”.

Para 14: “IFAC member bodies shall establish, appropriate assessment activities to assess the development of the professional values, ethics, and attitudes of aspiring professional accountants.

One considers this area to be the weakest of the IES, whereas it should be the strongest. The four explanatory paragraphs A35-A38 leave many aspects unaddressed.

Its mentioned that the assessment activities “may” include written examination and workplace assessment. This leaves one confused. What is that the IAESB desires from the member body? Any one or both. Why it uses the word “may”? Should it take it to mean “shall”?

Moving on it suggests primarily objective testing and case studies. The weakest link in the IES is workplace assessment. This leaves one totally confused. Is it being suggested that there should be a separate assessment for this subject-matter?

One expects such flexibility to result in inconsistent [and perhaps inappropriate] interpretations, as member bodies would be following paths significantly different in nature from each other to achieve accordance.

3. Secondary & Tertiary Implementation Mechanisms Missing >>

The focus of the proposed standard is aspiring professional accountant. One wonders what mechanisms are in place to translate the implementation of this IES from IFAC down to the aspiring professional accountant?

“The objective of an IFAC member body is to provide aspiring professional accountant with the professional values, ethics, and attitude required to perform a role of a professional accountant” (p.8).

The implementation cycle for the proposed standard comprises three tracks: first, IFAC to IFAC Member Body (as in 1 above); second, IFAC Member body to training organisation; and third, training organisation to the aspiring professional accountant.

All this requires three levels of implementation assistance to be successful, none of which exists now. The only one that the IES talks about is the second level – and that too in isolation.

The ground reality is that “the most realistic experiences on which to reflect may occur in the workplace” (A31). This means, this IES, in case of chartered accountants in Pakistan, will be implemented by what we call “training organisations”.

To be fair, the proposed standard mentions about IFAC member bodies providing guidance on how to support reflective activity (A34). But the worthy drivers of exposing aspiring professional

accountant to professional behaviour - “those responsible for supervising the practical experience of aspiring professional accountants” (A34) - are mentioned only once. How come no direct responsibility is placed on them via IFAC member bodies? Why no illustration of guidance provided to the IFAC member bodies?

The point is that unless an IFAC member body sincerely undertakes its accordance with training organisation; and the training organisations, in turn, do so with aspiring professional accountants, it is difficult to imagine any meaningful impact of this standard, no matter how well-meaning it is.

4. Restore “ Public Interest” in Objective (p.8) and Framework of Professional Values, Ethics, and Attitudes (p.9) >>

The IFAC and IAESB as its organ should be most concerned about ensuring that the aspiring professional accountants are committed that “public interest is protected” (A9) because “professional accountants (by their professional competence) contribute to confidence and trust in the functioning of markets” (A13). So much so that this aspect of professional competence is worthy of a dedicated category (A8) and the same should be reflected properly in its objective. No other topic should be mixed with it to dilute its impact.

One finds the inclusion of exercising “professional judgement” in the proposed standard to be out of place; as in Table A p.11. One considers it more suitable to be a part of professional skills (A8).

One can be equally confused to read the objective (p.8) with its explanatory para A9. The explanatory para rightly places the public interest as supreme and that is how it should be. But where do you find the term ‘public interest’ mentioned in the main objective? No where.

The Framework requires the aspiring professional accountants to exercise professional judgement and to act in an ethical manner that is in the public interest.

Whereas the explanatory paras A10-A13 explains about establishing relevant ethical requirements.

I applaud the standard for it most correctly states, albeit as an explanation rather than as its sole objective: “professional accountants accept a responsibility to act in the public interest” (A11) and “IFAC member bodies foster a commitment to act in the public interest” (A12).

It also declares: “actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.” (A11) and proceeds to explain contents of such actions (A14).

5. Omission: Applicability of Code to Trainees >>

‘The standard should clearly state that professional accountants are bound to observe ‘IFAC Code of Ethics’ and since trainees gain work experience with professional accountants and represent them on assignments, its relevant provisions are applicable to them as well.

A basic understanding of the Code [and its requirements] is essential for an aspiring professional accountant from first day as he/she too is indirectly bound by it.

I fully support the prescription for introducing a separately assessed course (A14). The only issue here is the use of word “may” which gives an impression of discretion.

6. Use of plain English >>

“As anyone with management experience knows, when many people from different backgrounds, frames of reference and agendas are involved in a project, and stakeholder pressure is added to the mix, the more likely it is that you will end up with more of a compromise solution. At the very least, the solution is likely to be less clear and concise especially if there are time pressures on achieving on it. It can be summed up in the lovely words of Mark Twain: ‘I apologise for the length of this letter. I would have written it shorter if I had more time.’ Clarity of ISAs [the proposed standard here] is essential to their acceptance, adoption and use internationally’. [Craig Fisher, The Chair, Professional Practices Board, New Zealand Institute of Chartered Accountants, In search of standards clarity, Chartered Accountants Journal, Sep 2005, page 18]

It is possible to free the text of this standard from inferior use of English. Presently the text immeasurably suffers from most that is against the rules of good writing; primarily it is not concise or precise. Rephrase extremely long sentences and as a rough benchmark, the Board should aim to state more or less the same in almost half of the text.

Some specific examples of rewriting attached as enclosure 1 for your reference.

7. Specific Cross-references >>

One calls upon for a more specific cross-referencing to make contents even more clear. Here are some examples:

p.6 to A1 and vice-versa

Table A para 11 Competance Area (a) with Table B (IAASB definitions)

p.5 with A6 and A7 (note: the middle sentence of A6 and A7 are similar; one of these may be deleted).

Conclusion >>

As a professional accountant, one sincerely appreciates the effort that has gone into the proposed standard. However, one would be failing in duty not to point out what can make the fate of this IES different from its predecessor in terms of implementation. With so many missing mechanisms, implementing the proposed standard is like building castles in the air without any foundation on the ground. The actions which are required to bring up a new generation of accountants conscious of their social and public interest is unlikely to be achieved by the contents of the proposed standard.

Sincerely,

Altaf Noor Ali, Chartered Accountant.

Copy: The President, the Institute of Chartered Accountants of Pakistan.

Enclosure 1: Proposed wordings (See “6. Use of Plain English”)

- 1) Para 1: “This International Education Standard (IES) prescribes the minimum level of awareness expected of an aspiring professional accountant by the end of the initial professional development about ethical principals and its application”.
- 2) Para 2: “The IES are issued by the International Accounting Education Standards Board (IAESB). The IES are addressed to the member bodies of the International Federation of Accountants (IFAC). The IFAC member bodies remain continually responsible for ensuring that its IPD for aspiring accountants complies with the minimum requirements set out in this Standard”.
- 3) Para 3: “A professional accountant continually participates in learning and development activities and processes. The learning made as an aspiring professional accountant plays a critical role in supporting Continuing Professional Development undertaken at a later stage as a professional accountant”.
- 4) Para 4: “This IES integrates relevant ethical requirements into professional accounting education”.
- 5) Para 5: It uses the word “professional” seven times. “This IES, alongwith IES 2: Initial Professional Development – Technical Competence, and IES 3: Initial Professional Development: Professional Skills, collectively specify the learning outcomes required of aspiring professional accountants at the IPD stage.”
- 6) Para 6: “The Glossary of Terms issued by the International Accounting Education Standards Board (IAESB) contains the definitions and explanations of key terms used here. Additional terms used in this IES are defined in the within the International Auditing and Assurance Standard Board (IAASB) Glossary of Terms (Ref para A1)”.
- 7) Para 8: “The objective of an IFAC member body is to continually improve the professional competence of the aspiring professional accountants including awareness about protecting public interest and application of ethical principles”.
- 8) Para A6: “Professional competence is the ability to perform a role to a defined standard”.
- 9) Para A7: “An aspiring professional accountant achieves professional competence by integrating together as a whole technical competence, professional skills, and application of ethical principles”.
- 10) Para A8: A set of learning outcomes can be specified for each category of professional competence. Technical competence include financial accounting and reporting, taxation, and corporate laws; professional skills include intellectual skills and organizational skills; and ethical application includes awareness of the Code”.

- 11) Para A30: this talks about “reflective activity” as “the (an?) iterative process by which professional accountants....” I wonder if it has skipped “aspiring”. If not, how can a standard meant for aspiring accountants makes a statement about what professional accountants are supposed to do?
- 12) Para A35: “Assessment activities are defined as those activities designed to assess specific elements of professional competence. These principles, as stated in IES 6: Initial Professional Development – Assessment of Professional Competence, may be applied to design activities for assessing professional ethics.”
- 13) Para A36: “Assessment activities appropriate for assessing professional behaviour may include written examinations and workplace assessments.”