

Basis for Conclusions:
IEPS 1 – Approaches to Developing and
Maintaining Professional Values, Ethics, and
Attitudes

Prepared by the Staff of the International Accounting Education Standards Board

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BASIS FOR CONCLUSIONS: International Education Practice Statement 1 – Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes

The Basis for Conclusions document for International Education Practice Statement (IEPS) 1 has been prepared by the Staff of the IAESB and has not been discussed by the IAESB. It does not form part of IEPS 1.

Background

1. The IAESB considered and approved a project to develop an IEPS that provides guidance to assist member bodies and academics to implement the requirements set out in IES 4, *Professional Values, Ethics and Attitudes*, in December 2003. More specifically, IEPS 1 provides guidance to IFAC member bodies on how to achieve good practice in developing professional values, ethics and attitudes in accordance with IES 4, and also provides guidance as to how member bodies may ensure professional accountants continue to develop professional values, ethics, and attitudes throughout their careers through continuing professional development (CPD).
2. The IAESB issued an exposure draft of IEPS 1 (“ED IEPS 1”) on September 8, 2006, with a deadline for comments of December 15, 2006. The IAESB received 16 comment letters from a variety of respondents, including regulators, IFAC member bodies, academics, and firms. In December 2006, the Consultative Committee of Accounting Bodies’ (CCAB – an umbrella group for UK and Irish accounting bodies comprising ACCA, CIMA, CIPFA, ICAEW, ICAI and ICAS) held an “Ethics Education Forum” in London. Members of the forum provided comments and suggestions on the ED IEPS 1 from a UK perspective. As a result of comments from all sources, the IAESB implemented a number of changes to ED IEPS 1 in finalizing the text of the revised IEPS 1. In addition the Consultative Advisory Group (CAG) for Education commented on both the Exposure Draft (ED) of the IEPS and the comment analysis of the ED respondents at their 2006 and 2007 meetings, respectively.

Issues Raised During Exposure Period

3. The most significant issues raised by respondents in their submissions to the IAESB related to:
 - Public Interest;
 - Ethics Education Framework (EEF);
 - Two Approaches to Implementing the EEF;
 - Separate, Assessed Final Ethics Module;
 - Workplace Learning; and

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- Ethical courage.

Paragraph numbers refer to IEPS 1 as issued, unless otherwise stated.

Public Interest (Paragraphs 12-14)

4. ED IEPS 1 discusses how public accountants serve the public interest through ethical decision-making. Respondents commented that Figure 1 does not serve the public interest because it does not lead to independent thought and action by a professional accountant.
5. In response, the IAESB indicated that the public interest is served by the public accountant when ethical decision-making is approached with an understanding of and an ability to apply the fundamental principles set out in the *IFAC Code of Ethics for Professional Accountants* (IFAC Code of Ethics) (paragraph 12). Figure 1 was intended to describe a learning continuum with each stage relating to a particular level of advancement in the development of professional values, ethics and attitudes. Member bodies can use this learning continuum to develop programs in ethics education, which enhance a professional accountant's ethical decision-making and behavior. The IAESB has preferred not to discuss issues related to independence of thought because it has been captured in the principles of the IFAC Code of Ethics which are included within the subject areas of the learning continuum.

Ethics Education Framework (Paragraphs 14-30)

6. ED IEPS 1 presents the 4 stages of the learning continuum described in the Ethics Education Framework (EEF). Respondents indicated that Stage 2 needed further clarifications to distinguish it from Stage 1 and Stage 3. Respondents also commented that Figure 1, a diagrammatic representation of the EEF, was too linear. Ethics education is a continuous and iterative process rather than a series of discrete, linear stages. The diagrammatic representation in Figure 1 presented a progression from Stages 1 to 4, without including one or more feedback loops. Such loops would better mirror how ethics education actually occurs, as well as highlighting the importance of reflection and revision for learners.
7. In response, the IAESB has agreed to clarify the description of the 4 stages. The description of each stage has been enhanced by describing the competence required to be demonstrated and what a member body should consider in developing an ethical education program. More specifically, Stage 2 has been differentiated from the other stages by identifying the competence required in terms of the ability to identify and discuss ethical issues and threats in the functional disciplines of accounting (paragraph 24). In addition, the EEF has been re-titled to the "Ethics Education Continuum" (EEC). This change stresses the need for review and revision of ethics knowledge between stages, emphasizing that ethics education is a continuous and iterative process rather than a series of discrete, linear stages. The

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diagrammatic representation has been enhanced to include feedback loops to emphasize a continual and iterative process that highlights the importance of review and revision for learners. Wording has been added in paragraph 15 of the IEPS to stress that ethics education is a lifelong commitment which begins early in a pre-qualification program, and continues throughout a professional accountant's career. In addition, paragraph 16 emphasizes the iterative process which requires individuals to reflect on their learning between stages, and to continue to review and revise their ethics knowledge, ethical sensitivity and ethical judgment.

Two Approaches to Implementing the EEF (Paragraph 31)

8. ED IEPS 1 presented two approaches to implementing the EEF and respondents indicated that it was important to provide member bodies with the flexibility in choosing the approach to implement the EEF in ethics education programs.
9. In response, the IAESB clarified the wording in paragraph 31 to enable a member body the choice of following either one approach or mixing elements of both approaches, as appropriate for local circumstances. Both approaches stress the importance of integrating ethics education into pre-qualification accounting education programs, and the importance of reviewing and revising knowledge and capabilities learned through CPD. By enabling a member body to choose either one approach or to mix elements of both approaches, appropriate flexibility is given to comply with the guidance.

Separate, Assessed Final Ethics Module (Paragraph 37)

10. ED IEPS 1 presented as an illustrative method in Figure 3 a separate, assessed final course or ethics module in Stage 3 of the Stage-by-Stage approach. There was some concern that by presenting only one approach, member bodies lost flexibility in integrating ethics education into pre-qualification accounting education programs. Respondents were evenly split for and against this proposal. Respondents not in favor of this idea suggested that an integrated approach more closely resembles the student's working environment.
11. In response, the IAESB agreed that requiring a separate, assessed final course or ethics module would remove flexibility from the IEPS. The outcome of having professional accountants behaving in accordance with the IFAC Code of Ethics was considered more important by the IAESB than the specific means of achieving the outcome. Furthermore, the means of achieving the outcome would differ according to different education systems around the world. The reference to a separate, assessed final course or ethics module in Figure 3 has been clarified by rewording to indicate that this approach is optional, and that an integrated approach at stage 3 is equally acceptable.

Workplace Learning (Paragraphs 45-50)

12. ED IEPS 1 respondents were strongly in favor of emphasizing the role of workplace learning in developing the professional values, ethics and attitudes expected of

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professional accountants. The effective development of professional values, ethics and attitudes required a balance of exposure to positive and negative examples of ethical behavior. Respondents suggested that good practice examples of workplace learning be included in the IEPS, as well as adding guidance on (a) induction training, and (b) the importance of a supportive environment at work.

13. In response, the IAESB reworded paragraph 45 to include examples of good practice for workplace learning. In addition, paragraph 46 includes guidance on induction training. References to the importance of a supportive environment at work have been made in paragraph 49. The wording of the workplace learning section has been written to emphasize the (a) positive impact of the workplace on the development of professional values, ethics and attitudes, and (b) positive impact of professional values, ethics and attitudes on the workplace itself.

Ethical Courage (Paragraphs 47-48)

14. ED IEPS 1 respondents indicated that the proposed IEPS should include references to “ethical courage,” in areas of workplace learning and the stages of the EEF.
15. IAESB members agreed to include references to “ethical courage” in the body of the practice statement and in Appendix 1. Paragraph 46 encourages professional accountants and students to demonstrate ethical courage when making decisions in accordance with the fundamental principles set out in the IFAC Code of Ethics. In addition paragraph 47 discusses how IFAC member bodies can work with employers, mentors and others to highlight examples of ethical courage, and bring this to the attention of students and professional accountants during pre- and post-qualification accounting education programs. Finally, Appendix 1 shows the importance of ethical courage and ethical leadership as subject matter in stages 1 to 3 of the EEC.