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Dear Mr McPeak,

**Re: FEE Comments on the IAESB Exposure Draft on the Proposed IES 4 (Revised) Initial Professional Development – Professional Values, Ethics and Attitudes**

FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the Proposed IES 4 (Revised) Professional Values, Ethics and Attitudes.

FEE supports the IAESB's project to improve the clarity of its standards. The revision is the opportunity to introduce improvements, in particular we commend IAESB for having emphasised the importance of the problem solving approach to ethical dilemma as highlighted in different parts of the standard.

We also appreciate that IAESB re-exposes the July 2012 version of the proposed IES 4 after significant changes made to the content of the March 2011 IES 4 Exposure Draft.

FEE fully supports the integration of ethical requirements into professional accounting education, in particular the reference to the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour (paragraph 4) and the reference to the IESBA Code of Ethics (A5).

Overall, the proposed IES 4 has become more detailed and the wording is more precise, which helps to improve clarity and ensure consistency with concepts of the revised Framework (2009) document.

*Responses to questions*

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

Generally, we do not object a tabular format listing competence areas and learning outcomes.

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

We are not convinced that professional scepticism and professional judgment as well as commitment to the public interest need to be specified as separate competence areas, in particular as the terms are audit specific whereas IES for addresses IPD of accountants.

a) Professional scepticism and professional judgment

As far as statutory audit is concerned, FEE has always promoted professional scepticism and professional judgment, for example:

*FEE believes that professional scepticism should continue to be reinforced. This should be done by further training and by adopting the ISAs as the application of these standards clearly underlines this concept. As far as education is concerned, FEE is convinced that a move to a principles and outcomes based approach for auditor's competences would be a major improvement.<sup>1</sup>*

*Professional judgment represents a positive response by audit professionals to mitigate, in varying degrees, inherent limitations of an audit. Professional judgment needs to be exercised within the parameters provided by the relevant objectives in the ISAs as defined in greater detail by the requirements and explained by the application material. The application of professional judgment needs to be justifiable and reasonable given the professional expertise of the auditor and the context in which the professional judgment is exercised.<sup>2</sup>*

As mentioned above, professional scepticism and professional judgment are generally audit specific and would therefore be appropriate as competence area for the IPD of *audit* professionals, preparing aspiring audit professionals in particular for the application of ISA 200.

Nevertheless, the learning outcomes specified in Table A for professional scepticism and professional judgment are general enough to be part of the IPD of accountants.

Therefore, we suggest to delete professional scepticism and professional judgment as competence area but to keep the related learning outcomes and include them as learning outcomes under ethical principles.

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<sup>1</sup> See [FEE response to the European Commission Green Paper on Audit Policy](#), 8 December 2010, response to question 6

<sup>2</sup> See [FEE paper on INHERENT LIMITATIONS, REASONABLE ASSURANCE, PROFESSIONAL JUDGMENT AND ITS DOCUMENTATION, AND ENFORCEABILITY OF AUDITING STANDARDS](#), October 2007, sections 1.7 and 1.8

### b) Ethical principles

As mentioned above, we agree that ethical principles are identified as competence area. We also welcome the described learning outcomes in general.

FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the Proposed IES 4 (Revised) Professional Values, Ethics and Attitudes.

Regarding “(ii) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics”, we doubt that “rules-based” approaches to ethics exist. FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the Proposed IES 4 (Revised) Professional Values, Ethics and Attitudes.

In respect of education, learning and developing activities of professional accountants, further guidance in relation to the fundamental principles is critical. Therefore, FEE has developed two papers in relation to integrity, probably the most important of the five fundamental principles: “[Integrity in Professional Ethics – A Discussion Paper](#)”, September 2009, and “[Analysis of Responses to FEE Discussion Paper on Integrity in Professional ethics – A comment Paper](#)”, March 2011.

### c) Commitment to the public interest

Commitment to the public interest is generally audit specific and would therefore be appropriate as competence area for the IPD of *audit* professionals, however, not necessarily for the IPD of aspiring accountants.

Taking into account that it is impossible to define the public interest<sup>3</sup>, it would be equally impossible for IFAC member bodies or other stakeholders involved in education to create an education programme for accountants that provides aspiring accountants with an intermediate level of proficiency in the competence area of commitment to the public interest. We therefore suggest to delete this competence area.

Nevertheless, most of the learning outcomes specified in Table A for commitment to the public interest are generally related to ethical principles which are part of the IPD of accountants. Therefore, we suggest to keep the learning outcomes (i), (ii) and (iv) and include them as learning outcomes under ethical principles.

Learning outcome (iii) “Analyze the interrelationship of ethics and law ... and the public interest” should be deleted.

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

We are not convinced that the third column “Minimum Level of Proficiency” is necessary.

It indicates “intermediate” for all competence areas, however, if the level is the same for all competence areas, it would be sufficient to state it in one sentence above the table.

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<sup>3</sup> See FEE comments on the IFAC ED on a Public Interest Framework for the Accountancy Profession, 17 March 2011: [http://www.fee.be/publications/default.asp?library\\_ref=4&content\\_ref=1357](http://www.fee.be/publications/default.asp?library_ref=4&content_ref=1357)

Overall, we question whether IES 4 should prescribe any level of proficiency. As the learning outcomes are described rather detailed, the level of proficiency could after all be subject to the assessment system that is used on national level.

Furthermore, the term intermediate as such is not self-explanatory and might be difficult to translate, even with the description provided in Appendix 1. If proficiency levels are described, it might be more appropriate to derive them from existing education frameworks like for example the European Qualifications Framework,<sup>4</sup> which also refers to learning outcomes.<sup>5</sup>

Generally, we wonder whether “intermediate” would be the appropriate level, as professional values, ethics and attitudes are fundamental to professional accounting education. It might be worth considering whether a higher level (“advanced”) would be more appropriate.

**Question 4. Do you agree that the learning outcomes related to professional scepticism and professional judgment identified are appropriate for ethics education?**

See response to question 2.

**Questions 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?**

We are not convinced that IES should prescribe proficiency levels at all (see response to question 3).

The term intermediate might be difficult to translate, even with the description (see response to question 3).

As far as the description of “Mastery” level is concerned, it is unclear, why the “Indicative verbs include all those listed for Foundation, Intermediate and Advanced levels”, but do not provide any additional verb for the mastery level. This implies that the Mastery level cannot be described with appropriate verbs, so that there is after all no difference to the “Advanced” level, which is confusing.

Since none of the learning outcomes are classified at Mastery level, this level is superfluous and we suggest deleting it from Appendix 1.

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

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<sup>4</sup> [http://ec.europa.eu/education/lifelong-learning-policy/doc/eqf/brochexp\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/eqf/brochexp_en.pdf)

<sup>5</sup> [http://ec.europa.eu/education/lifelong-learning-policy/doc/eqf/note4\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/eqf/note4_en.pdf)

Although “Reflective Activity” (paragraph 13) is explained in the Explanatory Material (A30 to A34), the concept and its potential translation into initial education programmes is still unclear. The explanations refer to the iterative process by which professional accountants, at all stages of their career, continue to develop their professional competence (A30) and highlight that the most realistic experiences may occur in the workplace (A31). Therefore, we are not convinced that the concept of reflective activity is sufficiently developed to become an essential element of IPD.

Paragraph 8 states that “*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.*”, which is not appropriate for the following two reasons:

Paragraph 8 should state the objective of the standard, not the objective of an IFAC member body. The objective of a professional institute is governed by the legal framework in its country and by its statutes, not by education standards.

Furthermore, education is not in all countries carried out by IFAC member bodies. In some countries, IFAC member bodies have shared responsibilities in education with government authorities or educational organisations and in other countries IFAC member bodies are not at all involved in education.

IFAC member bodies can only use their best endeavours (see IFAC SMO 2) to ensure that aspiring professional accountants are equipped with the appropriate professional values, ethics and attitudes to perform a role as professional accountant.

The same applies to the second sentence of paragraph 2, which should not state that IFAC member bodies *have responsibility* for ensuring that IPD meets the requirements of this IES.

In the third sentence of paragraph 2, “In addition, this IES *will be* helpful to educational organisations, employers, regulators, government authorities, and any other stakeholders who support learning and development of professional values, ethics, and attitudes of aspiring professional accountants.”, we question whether this standard is relevant for such large range of stakeholders. IAESB needs to avoid drafting standards which would go beyond its responsibility.

Therefore, we suggest to amend the sentence as follows: “However, this IES *might be* helpful to ...”.

Considering the overall concept of the IES and the consistency within this concept, we wonder whether the assessment of Professional Values, Ethics, and Attitudes (paragraph 14 and A35 to A38), would not be better placed in IES 6 which is specifically dedicated to the assessment of professional competences.

We acknowledge that the IAASB definitions of professional judgment and professional scepticism have been adopted in Table B of the proposed IES 4. As explained in Table B, these terms are to be interpreted as applying to the broader context of a role of a professional accountant, although IAASB pronouncements generally govern only audit, review, other assurance and related services engagements.

We are not fully convinced that these audit specific definitions need to be adopted in IES 4, in particular as the related competence areas do not need to be listed separately (see response to question 2).

Additionally, it would need to be clarified how the definitions of professional competence and competence areas in the proposed IES 4 would interact with the principle of professional competence and due care as stated in section 130 of the IESBA Code of Ethics.

**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)?**

For statutory auditors in the European Union, the EU Statutory Audit Directive provides a harmonised framework for educational qualification requirements that has to be applied by the stakeholders involved in education of statutory auditors.

IES might help these stakeholders (IFAC member bodies, government authorities or educational organisations that might have shared responsibilities as mentioned above under the response to question 6) as background material for interpreting and implementing these requirements, but EU law as implemented into national law would prevail.

In addition, the Statutory Audit Directive is currently under review, which might have an impact on the responsibilities of IFAC member bodies in the EU.

For accountants providing services other than statutory audit, there is no EU law in place and national requirements regarding educational qualification vary broadly. Therefore, the proposed IES 4 might have implications on IFAC member bodies in the EU.

Further information about structure and organisation of the accountancy profession across Europe is available on the [FEE website](#).

For further information on this letter, please contact Ms Petra Weymüller from the FEE Secretariat (email: [petra.weymuller@fee.be](mailto:petra.weymuller@fee.be), Tel.: +32 2 285 40 75).

Yours sincerely,



Philip Johnson  
President