

# Agenda Item 7



**Meeting Location:** Hilton, 1335 Avenue of the Americas, New York, United States

**Meeting Date:** October 17-19, 2011

## **Request for Comments on IAESB's Exposure Draft on International Education Standard 4, Professional Values, Ethics, and Attitudes**

### **Objective**

1. To obtain comments from IESBA members on the Exposure Draft of International Education Standard (IES) 4, *Professional Values, Ethics, and Attitudes*.

### **Background to Project**

The extant version of IES 4 was published in May 2004 and became effective on January 1, 2006. IES 4 prescribes the professional values, ethics, and attitudes that professional accountants should acquire during the education program leading to qualification.

In 2009 the IAESB completed its revision of the Framework document which sets out the underlying concepts and principles for the IESs. The Framework document, *Framework for International Education Standards for Professional Accountants* (2009), identifies general education, professional accounting education, practical experience and assessment as components of the learning and development of a professional accountant. Learning and development occurs throughout an individual's career and ensures the development and maintenance of competence required for performing the various roles of professional accountants.

As part of its project to improve the clarity of its standards, the IAESB has undertaken to revise and redraft all of its IESs in accordance with its new clarity drafting conventions. At its October 2009 meeting the IAESB agreed that all eight standards should be revised with the aim of:

- improving clarity;
- ensuring consistency with concepts of the revised Framework document; and
- clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

This approach responds to the desire for all IESs to be consistently drafted, and subject to a single statement of their authority and effect. The drafting conventions used by the IAESB in revising IES 4 for exposure, and the authority and obligation attaching to those conventions, are established in the Appendix of the *Framework for International Education Standards for Professional Accountants*, approved by the IAESB in October 2009.

## Discussion

### Learning Outcome Approach

The extant IES 4 sets out in paragraph 16 the coverage of knowledge topics in a professional accounting education program for the area of values, ethics, and attitudes.

#### Paragraph 16 of extant IES 4

**While the approach of each program to the learning of professional values, ethics and attitudes will reflect its own national and cultural environment and objectives, as a minimum all programs should include:**

- (a) **The nature of ethics;**
- (b) **Differences of detailed rules-based and framework approaches to ethics, their advantages and drawbacks;**
- (c) **Compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;**
- (d) **Professional behavior and compliance with technical standards;**
- (e) **Concepts of independence, skepticism, accountability and public expectations;**
- (f) **Ethics and the profession: social responsibility;**
- (g) **Ethics and law, including the relationship between laws, regulations and the public interest;**
- (h) **Consequences of unethical behavior to the individual, to the profession and to society at large;**
- (i) **Ethics in relation to business and good governance; and**
- (j) **Ethics and the individual professional accountant: whistle-blowing, conflicts of interest, ethical dilemmas and their resolution.**

The IAESB views this list of knowledge topics as an example of an input-based approach to learning and development.

In contrast an output-based approach focuses on whether the professional accountant has developed the specified competence. Competence is defined as the ability to perform a work role to a defined standard with reference to working environments. To demonstrate competence in a role, a professional accountant must possess the necessary (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes. Competence-based education begins with the creation of competence statements<sup>1</sup> as benchmarks.

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<sup>1</sup> Also known as competency frameworks, competency profiles, competency models, competency maps, or functional maps.

In supporting a competence-based approach to the education, delivery, and assessment of the aspiring professional accountant, the IAESB is proposing to redraft the list of knowledge topics in paragraph 16 into learning outcomes. Paragraph 10 of the proposed IES 4 (See Agenda Item 7-A) provides learning outcomes that specify the appropriate depth of ethics education needed to become a professional accountant. This approach uses the same terminology as that used in IES 2, *Content of Professional Accounting Education Programs*, which provides the learning outcomes for a program of accountancy education. As a result the outcome approach should be more useful to educational institutions, regulators and other interested parties than the current input based approach.

**Action Requested:**

Do IESBA members agree that the learning outcomes provided in paragraph 10 of the IES 4 Exposure Draft (See Agenda Item 7-A) represent the appropriate depth of ethics education needed to become a professional accountant?

**Reflection**

The extant IES 4 encourages professional accountants and students to undertake periods of reflection in relation to lessons learned from ethical situations, but it is not set as a formal requirement. The IAESB defines reflection as

“.... the practice of documenting experiences relating to lessons learned from ethical dilemmas and considering what approach may be taken in the future in similar circumstances can be used by professional accountants at all stages of their careers.

The IAESB considers reflection to be a very important element in the development of an ethical individual and has included a requirement in paragraph 11 of the proposed IES 4 (See Agenda Item 7-A). The IAESB has also provided examples of reflection in paragraph A17 of the Explanatory Materials section of the proposed IES 4 (See Agenda Item 7-A).

**Action Requested:**

Is the proposed requirement (See Paragraph 11 of Agenda Item 7-A) for reflection in relation to ethics education appropriate?

Does this requirement raise implementation issues?

### **Assessment of a Program Containing Ethics, Values, and Attitudes**

The extant IES 4 does not identify a requirement for a formal assessment of the program containing professional values, ethics and attitudes. The IAESB is of the view that the assessment of professional values, ethics, and attitudes is essential. To ensure that the content of the proposed IES 4 is implemented by educators, and appropriately tested, the proposed IES 4 (See Paragraph 12 of Agenda Item 7-A) will contain a separate requirement relating to the assessment of the program of professional accounting education containing Professional Values, Ethics, and Attitudes. A requirement on assessment was viewed as being consistent with the Framework's discussion of assessment as a measure of the effectiveness of learning and development by a professional accountant.

#### **Action Requested:**

Do IESBA members agree with including a requirement that covers the assessment of a program of professional accounting education containing professional values, ethics, and attitudes?

### **Need for Implementation Guidance**

In support of the IESs, the IAESB issues two other types of publications: International Education Practice Statements (IEPSs) and International Education Information Papers (IEIPs). These are:

#### *International Education Practice Statements (IEPSs)*

IEPSs assist in implementing generally accepted good practice in learning and development for professional accountants. IEPSs may interpret, illustrate, or expand on matters related to IESs. In this function, IEPSs assist IFAC member bodies to implement and achieve good practice, as prescribed by the IESs. The IEPSs may also include commendable methods or practices, including those recognized as current best practice, that IFAC member bodies may wish to adopt.

#### *International Education Information Papers (IEIPs)*

IEIPs may critically assess emerging learning and development issues and practices. The aim of such IEIPs is to (a) promote consideration of these issues, and (b) encourage comment and feedback. In this way, they may be useful forerunners of IESs and IEPSs. Alternatively, the IEIPs may simply be descriptive in nature. In this function, they promote awareness of learning and development issues or practices relating to the accountancy profession.

The Public Oversight Board of the UK Financial Reporting Council commented in its response letter on the Exposure draft of IES 4 as follows:

“We also believe that there would be merit in adding further clarity to the Explanation by:

- Considering whether further guidance can be provided, perhaps in conjunction with the International Ethical Standards Board for Accountants, on what these essential values and attributes are. While the IESBA Code contains some material on ethical behaviour (i.e. independence, objectivity, confidentiality and integrity) there is a general lack of explanatory material in IFAC standards and guidance on the other values and attitudes. “

**Action Requested:**

What advice would IESBA members provide in addressing the request provided above?

**Material Presented**

Agenda Paper 7	This Agenda Paper
Agenda Paper 7-A	IES 4 Exposure Draft, Professional Values, Ethics, and Attitudes

**Action Requested**

1. IESBA members are asked to consider the questions raised in this paper.