



## IES EXPOSURE DRAFT: RESPONSE TEMPLATE

### RESPONSE TEMPLATE FOR THE ED OF THE PROPOSED REVISIONS TO IES 2, 3, AND 4 – SUSTAINABILITY

#### Guide for Respondents

Comments are requested by **July 24, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed revisions to International Education Standards 2, 3, and 4 -- Sustainability, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate IFAC's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for IFAC to be made aware of this view.
  - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IFAC website.

[Use the "Submit Comment" button on the ED web page to upload the completed template.](#)

**Responses to IFAC’s Request for Comments in the EM for the ED, Proposed Revisions to IES 2, 3, and 4 – Sustainability**

**PART A: Respondent Details and Demographic information**

|  |   |
|--|---|
| Your organization’s name (or your name if you are making a submission in your personal capacity)   | Nederlandse Beroepsorganisatie van Accountants (NBA, Royal Dutch Institute of Chartered Accountants)    |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above)   | Sandra Kroon  |
| Name(s) of contact(s) for this submission (or leave blank if the same as above)  | Usha Ganga  |
| E-mail address(es) of contact(s)   | <a href="mailto:s.kroon@nba.nl">s.kroon@nba.nl</a> / <a href="mailto:u.ganga@nba.nl">u.ganga@nba.nl</a> |
| Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option. | <a href="#">Europe</a>  |
|  | If “Other”, please clarify  |
| The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.                             | <a href="#">Member body and other professional organization</a>   |
|  | If “Other”, please specify  |
| Should you choose to do so, you may include information about your organization (or yourself, as applicable).  |   |

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** IFAC’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part C allows for raising any other matters in relation to the ED).

**Information, if any, not already included in responding to the questions in Parts B and C:**

## PART B: Responses to Specific Questions in the EM for the ED

**For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.**

1. Do you support the proposed revisions to IES 2, 3, and 4 for sustainability? If not, please explain your reasons and indicate what changes you would suggest.

**Overall response:** Agree, with comments below

### Detailed comments (if any):

We fully support the inclusion of sustainability learning outcomes within the IES as the inclusion thereof will lead to the future relevance of the audit profession.

NBA is currently evaluating the current professional profile where the expected outcome will possibly lead to a stepped approach when it comes to auditing education: first learning the basics as an auditor with educational add-ons for different specialties, of which one is expected to be sustainability.

However, NBA also recognizes that the basic education for an auditor should include sufficient sustainability knowledge for auditors, not only to be able to perform sustainability audits, but also to more fully understand the financial risks and opportunities due to sustainability developments that need to be reflected in the financial statements of the company, and are therefore part of the financial audit. As such the inclusion of sustainability learning outcomes is a good fit for the future auditor. This also matches the systems-thinkers approach IFAC has taken in its exposure draft.

NBA believes that the education for auditors is already very extensive. This means that in order to keep the auditor education feasible, the study load has to remain at the current level and should not be added to. This is of great importance to the NBA. By the choice made by IFAC of adding the sustainability requirements, but not deducting any other (financial reporting) requirements, the educational study load for students is increased. Possibilities to lower the study load for students is deducting IES requirements specifically on certain in-depth topics that will only be useful in certain sectors or for certain disciplines, or integrating learning objectives that are similar for both topics. For instance, a number of assurance techniques are used both in financial audit as sustainability assurance and as such, can be taught simultaneously, lowering the study load.

Under 19 of the explanatory memorandum audit is viewed at the core subject of the accounting:

*“Audit is often viewed as a core subject for many accounting curriculums and forms a key area of practical experience for many aspiring professional accountants. Accordingly, the Panel determined the overall balance and proficiency should remain weighted towards the audit of financial statements”.*

NBA emphasizes that the core competence of auditors is to add assurance to information to enhance the trust of users of the information, or in other words, assess the reliability of information. The main focus of auditors is shifting from financial statements to the more extensive subject of corporate reporting. There is increased demand for assurance, not only when it comes to sustainability reporting, but also on algorithms, culture and behavior and other specific topics where society requests added value from assurance. It would therefore be helpful to change the current focus on audit to a focus specifically on assurance. The core competencies of the audit curriculum that are common for many accounting curricula teaches auditors how to provide assurance and are not disputed. However, NBA believes that the competency of auditors can be used for the assurance of all types of information and should therefore not be limited to financial statements only. By separating audit from assurance, this acknowledgement of the similarities between the two

disciplines are disregarded. NBA believes that creating a new competence area will create inefficiency and additional study load that is unnecessary.

2. Are the sustainability learning outcomes sufficient and appropriate expectations for aspiring professional accountants? If not, please explain your reasons and indicate what changes you would support.

**Overall response:** [Disagree, with comments below](#)

**Detailed comments (if any):**

The learning outcomes proposed are sufficient, with the exception of the following changes we propose to the learning outcomes under IES 2, in competence area f:

- Under f sub iii, the learning outcome is to describe the risks of material misstatement and consider the impact on an assurance engagement. In ISA 3000 the risk of material misstatement is explicitly linked to reasonable assurance. Therefore, NBA proposes to change this learning outcome into: *“Perform a risk identification or assessment and consider the impact on the procedures to be performed to respond to the outcomes of the risk identification or assessment”*.  
By naming it a risk identification or assessment, both limited assurance procedures are identified where a material misstatement is likely to arise (ISAE 3000 48L) and reasonable assurance procedures of which the risks of material misstatement are assessed (ISAE 3000 48R) are covered.
- In analogy to learning outcome e sub iv we would propose to add the following learning objective: *“Apply qualitative and quantitative methods and appropriate automated tools and techniques that are used in assurance engagements”*.  
The use of quantitative methods is just as relevant for financial statement audit as for other assurance engagements, including sustainability assurance engagements. Furthermore, NBA would like to add qualitative methods similar to those used in both audit engagements (such as analysing the management review, performing peer review or sector comparison of risk management paragraphs, translating financial risks to qualitative information) and assurance engagements.
- As described in the bullet above we would like to add qualitative methods to learning outcome e sub iv. The use of qualitative methods is also important in financial statement audits and should therefore be applied as a learning outcome.
- NBA would like to add the following learning outcome to f: *“Conclude whether sufficient and appropriate assurance evidence has been obtained”*. This learning outcome is just as relevant to assurance engagements as to financial statement audit.

The learning outcomes under IES 3 are sufficient, except for the following changes we propose to the learning outcomes under IES 23 in competence area b:

- NBA is a strong promotor of diversity, equity and inclusion. The way in which learning outcome IES 3 b sub iii is phrased however, puts a skewed emphasis on diversity, equity and inclusion and is too limited to be useful as a learning outcome. NBA proposes to change this learning outcome to the following learning outcome (based on the previous learning outcome): *“Demonstrate awareness of cultural and language differences in communication and collaboration”*.
- NBA proposes to add the following learning outcome: *“Demonstrate awareness of the advantages of creating multidisciplinary teams that are based on diversity, equity and inclusion, which may include the improvement of the quality of decision-making and professional judgement and an increase of the perceived safety of the work environment.”*

3A. Do you support the proposal to create a new competence area for assurance? If not, please explain your reason and indicate what changes you would suggest.

**Overall response:** [Disagree, with comments below](#)

**Detailed comments (if any):**

As indicated under 1, NBA emphasizes that the core competence of auditors is to add assurance to information to enhance the trust of users of the information, or in other words, assess the reliability of information. There is increased demand for assurance, not only when it comes to sustainability reporting, but also on algorithms, culture and behavior and other specific topics where society requests added value from assurance. The main focus of auditors is therefore shifting from assurance on financial statements to assurance on the more extensive subject of corporate reporting. It would therefore be helpful to change the focus now placed on audit to a focus specifically on assurance.

The core competencies of the audit curriculum that are common for many accounting curricula learn auditors how to provide assurance and are not disputed. However, NBA believes that the competency of auditors can be used for the assurance of all types of information and should therefore not be limited to financial statements only. By now specifically separating audit from assurance, this acknowledgement of the similarities between the two disciplines are ignored. NBA believes that creating a new competence area specifically for audit will create inefficiency and additional study load that is unnecessary.

NBA proposes to change competence area e to assurance and to integrate the learning outcomes for the proposed competence areas e Audit and f Assurance. This will explain to stakeholders that assurance is our key area of expertise, with financial statement audit as a significant part of our key competences. It will also create the possibility to train assurance techniques within the financial statement audit curriculum that are also useful for other assurance engagements, but will also make it possible to train assurance techniques for sustainability assurance that are also applicable for financial statement audit.

3B. Is the level of the proposed assurance competence area and learning outcomes at foundation level appropriate for aspiring for professional accountants? If not, please explain your reason and indicate what changes you would suggest.

**Overall response:** [Disagree, with comments below](#)

**Detailed comments (if any):**

In Europe all auditing professionals will need to understand sustainability assurance thoroughly in order to be able to provide sustainability assurance on information reported in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). This means that foundation level is not sufficient and intermediate level is required, equivalent to financial statement audit. Furthermore NBA believes that auditors should also be able to provide other assurance at a sufficient level. Changing the foundation level for the assurance competence area means that also for the assurance techniques that are currently trained the level of competence will be downgraded to foundation.

NBA proposes to change the level of competence to intermediate. This is also aligned with our answer to question 3A where we propose to create one assurance competence, including audit of financial statements, at intermediate level.

If IFAC decides to keep the level of competence at foundation level we propose that IFAC explains that practitioners will need a significant number of hours training on the job to acquire the intermediate level of competence.

4. Are there any terms within the new and revised learning outcomes of IES 2, 3, and 4 which require further clarification? If so, please explain which terms and how they could be better explained or revised.

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

The term systems thinking is introduced as an overall principle and integrated in the IES. However, the term is not used in any sustainability reporting frameworks (such as the European Sustainability Reporting Standards, the GRI Standards or IFRS Sustainability Standards). Adding a clear definition or a broader description on what systems-thinking in the context of sustainability assurance entails will help to embed systems-thinking in the auditing curriculum.

5. Do you believe the adoption and implementation of the proposed revised IES 2, 3, and 4, including will present any challenges to your organization? If yes, what challenges do you foresee?

**Overall response:** [Disagree, with comments below](#)

**Detailed comments (if any):**

We do not expect any significant challenges that we will be unable to overcome. However, we do expect that we will have difficulty in developing new training materials and finding qualified trainers with sustainability assurance experience due to the limited number of auditors who have sufficient experience with sustainability assurance. We also identify difficulties in finding sufficient assurance engagements where trainees can gather practical experience with sustainability assurance. We expect that these challenges will soon be diminished due to more assurance engagements in Europe due to CSRD implementation, but the coming years will still be challenging due to the transition phase.

## Part C: Request for General Comments

IFAC is also seeking comments on the matters set out below:

6. General comments are welcomed on all matters addressed in the proposed IES 2, 3, and 4 (See Appendices A to E). Where relevant, when making general comments, it is helpful to refer to specific paragraphs, include the reason for the comments and, where appropriate, make specific suggestions for any proposed changes to wording to fully appreciate the respondent's position. Where a respondent agrees with proposals in the exposure draft (especially those calling for a change in current practice), it is helpful to note the reason you agree.

**Overall response:** [No response](#)

**Detailed comments (if any):** N/a