



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)	BDO International Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Nazia Lakhani Head of Global Audit Quality
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	Nazia.lakhani@bdo.global
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.	Global
	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.	Accounting Firm
	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 generally support the proposed revisions to IES 2, 3 and 4 for sustainability. We agree with the approach to integrate sustainability into the existing competency areas in each of the IESs. On balance we are also supportive of IFAC's decision not to create a separate 'sustainability' competence area. From an aspiring professional accountant perspective, this reflects that sustainability decision-making, and particularly learning outcomes at the Initial Professional Development (IPD) level, are best integrated within the existing range of competency areas and IESs.

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: [Agree, with comments below](#)

Detailed comments (if any):

Given that sustainability reporting and assurance is an area of the profession that is still in a period of transition (for current and future reporting entities, assurance providers, etc.), we believe that the planned changes to extant learning outcomes and those newly proposed learning outcomes do provide a level of sufficiency and appropriateness for aspiring professional accountants.

We are particularly supportive of what may appear to be relatively 'minor' amendments made to learning outcomes but which do help drive and embed the sustainability skills needed by aspiring professional accountants.

While we support inclusion of these new sustainability learning outcomes for this set of revisions, we ask that IFAC reconsider the breadth and depth of the 'content' IPD standards (i.e., IESs 2, 3 and 4) as a whole. Specifically, there needs to be a more agile response to ensure the development of skills and professional competence by aspiring professional accountants matches a rapidly changing environment. Advances in technology within the accounting and assurance profession(s) would inevitably lead to some historical skills (and thus learning outcomes) becoming less relevant while other learning outcomes (handling data, data ethics, use of AI) are likely to become more important. Given the most recent set of changes (professional skepticism and Information and Communication Technologies) were made in 2019 and that these new proposals for IES revisions are unlikely to become effective until circa 2026, we would ask that IFAC re-examines the broader set of learning outcomes for aspiring professional accountants on a more regular cadence. Having a regular cadence will also likely assist IFAC member bodies, ministries of finance or education, regulators, universities as well as employers – all of whom in many jurisdictions are involved in IPD level education and training.

We note that IES 7 – Continuing Professional Development has not been proposed for amendment by IFAC at this time. Given the public interest need to have experienced professional accountants involved in reporting and assurance activities (and especially as aspiring professional accountants will likely be working for and being mentored or directed by these more experienced professional accountants), we do believe that IFAC may have more to do in this particular area with respect to ensuring that the requirements contained within IES 7 are sufficient. This may be better articulated through CPD guidance to enable a more agile response to changes in the wider profession.

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: [Agree, with comments below](#)

Detailed comments (if any):

We agree with the proposal to create a new competency area for assurance. The term audit is used primarily in conjunction with financial statements and having a separate competency area for assurance enables differentiation for non-financial information. However, more clarification is needed in differentiating between the audit and assurance competency areas. The learning outcomes for assurance include four of the six learning outcomes for audit, but it is not clear why the remaining two are excluded. For example, the audit learning outcome 'Apply quantitative methods and appropriate automated tools and techniques' could also apply to non-financial information. Similarly, the audit learning outcome 'Conclude whether sufficient and appropriate audit evidence has been obtained' could also apply to assurance if the word 'audit' is removed from the learning outcome.

Further, the following assurance outcomes are different from audit, but the reason for the difference is not clear:

- Assurance learning outcome (ii) states 'Explain international standards on assurance' versus 'Apply International Standards on Auditing' in the audit learning outcome.
- Assurance learning outcome (iii) states 'Describe the risks of material misstatement' versus 'Assess the risks of material misstatement'.

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: [Agree, with comments below](#)

Detailed comments (if any):

As noted in our response to 3A above, in our view more clarity is needed in the learning outcomes for assurance, whether there is a difference with the audit learning competency and adequately explaining those differences. We understand that, in the context of a suite of IESs each with integrated competency areas and learning outcomes, it may be more beneficial to provide this clarity through the provision of guidance.

Further, we note that the competency on professional skepticism has been updated to “Apply an inquiring mind when collecting and assessing data and information from a variety of sources and perspectives”. As sustainability information is usually influenced by societal developments, IFAC will need to clarify whether this falls under the “variety of sources and perspectives” or whether the assurance provider requires a specific level of awareness regarding societal issues.

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

On IES 2, Business strategy and management we suggest providing more guidance for the learning outcome (iii) “Analyze the external and internal factors that the business model, value chain and the strategy of an organization **using a systems-thinking approach**”. While we appreciate that a systems-thinking approach is a common term in use within the academic and education sphere, we believe that further guidance is likely to be needed by all stakeholders involved in the IPD of aspiring professional accountants to ensure that this can be implemented with a common understanding across the profession and different jurisdictions.

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

While we do not anticipate that there will be any immediate adoption and implementation issues associated with the revisions to IESs 2, 3 and 4, we do recognize that for all organizations and entities who are likely to be involved in the financial reporting ecosystem (and specifically sustainability) they are likely to be affected by changes in skills needs and IPD/CPD activities. Individual professional accountants, entities, accounting firms and training providers all have a responsibility to ensure that are able to perform high quality work as part of their day to day role and this will necessitate investment in personal skills.

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: [See comments below](#)

Detailed comments (if any):

We would like some clarity on IFAC's vision of a professional accountant going forward, with the following items for consideration:

- The revised set of IESs implies that aspiring professional accountants will have to gain additional professional competence which would likely increase their workload, time for study, practical experience (IES 5), etc., required to become a professional accountant. This may result in longer training contracts or periods of IPD as part of IFAC member bodies requirements to become professional accountants and may place on aspiring professional accountants an undue pressure that could reduce the attractiveness of the profession. We recommend reviewing the current suite of IESs (2, 3 and 4) and specifically the learning outcomes and competence areas to determine if these are all still relevant to becoming a professional accountant or whether, due to advances in technology, may not have the same importance as others.
- It would also be helpful for IFAC to articulate whether the vision of a future professional accountant is an individual who needs to have professional competence (including technical expertise, professional skills and ethics, values and attitudes) over all things or whether professional accountants are ultimately expected to be specialists (e.g., a financial statement auditor and non-financial statement assurance provider). For example, some aspiring professional accountants may only be involved in performing work on financial statements versus other types of reporting (i.e., sustainability disclosures and reports) and therefore may not have a need to have the same technical competencies in both areas. As levels of complexity have increased for many roles within the accounting profession, now may be a good time to evaluate what the initial set of learning outcomes and competence areas should be and how this provides a foundation for further development and maintenance of skills at the CPD level.
- We noted that other emerging areas are becoming more and more important as well, such as fraud, importance of personal ethics, going concern and data analytics. These are not specifically reflected in the updated IESs and will be relevant for sustainability assurance engagements as well. Please clarify how these areas are considered in the existing or when developing education standards.
- While we support in general the changes made to IESs 2, 3 and 4 in respect of sustainability, we note that no changes have been proposed to IES 8 as it relates to audit engagement partners. We ask that the IPAE continue to review the need for revision across all IESs on a more regular basis and as part of their ongoing strategy and work plan.