

1 March 2019

Senior Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
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Dear Mr. McPeak

Exposure Draft of the Proposed Revisions to IESs 2, 3, 4, and 8 - Information and Communications Technologies and Professional Skepticism.

We appreciate this opportunity to comment on the Exposure Draft of the *Proposed Revisions to IESs 2, 3, 4, and 8 - Information and Communications Technologies and Professional Skepticism*. We fully support the International Accounting Education Standards Board ("the Board") in its project to revisit and revise IESs 2, 3, 4 and 8 in respect of these important issues, and we commend the Board for the work done on the project to date, including the extensive research and consultation activities undertaken as part of the preparation of this draft.

Key Comments

Future governance & maintenance of IESs following dissolution of the Board

We note that this Exposure Draft has been released at a time when it has been communicated that the existing Board is to be dissolved from mid-2019 onwards. We understand the necessity, in such circumstances, to move swiftly to complete key ongoing projects and we support the Board's efforts to do this. However it is unclear to us how these revised IESs, together with the other IESs and supporting guidance developed by the Board, will be effectively governed and maintained in future in the absence of an independent standard setting board.

We are concerned that the IFAC Board chose to move forward with the dissolution of the Board before undertaking any formal process to consult stakeholders in professional accounting education especially, from an audit perspective, at a time when the manner in how audits will be performed and the skills required are under global discussion. The circumstances of dissolving a Standard Setting Board are exceptional, and so there may be no obvious precedent or protocol to follow but, given the significant public interest considerations related to professional accounting education, we would expect IFAC to undertake appropriate public consultation ahead of making such a significant decision.

We continue to believe strongly in the importance and value of a robust set of standards to drive consistency and quality in professional accounting education globally. We are concerned that the dissolution of the Board will erode the authority and effectiveness of the standards, and over time they will evolve to become simply IFAC's good practice guidelines. It will therefore be vital that the new model for professional accounting education that IFAC implements includes appropriate safeguards to ensure the authority of the standards, and continues to drive the sort of wide ranging input and consultation to the development of standards and supporting material that the existing Board has obtained in executing this project.

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Limited scope of changes

We note that the Board has established the scope of this project to specifically address learning outcomes related to ICT and Professional Skepticism, and as such we have limited our comments and feedback to the specific areas impacted by those changes. However, in reviewing the revised standards, we note there are a number of opportunities beyond those specific areas of change where we believe the standards could be further improved.

One specific area we wish to highlight is that of project management. One of the overriding and fundamental skills for professional accountants working as auditors is project management, often identified as a key contributor to audit quality. Specifically, effective project management skills have been linked to an improved capacity to exercise professional skepticism. Having reviewed the learning outcomes across IESs 2, 3, 4 and 8, while there are a number learning outcomes across various categories that touch on this topic, we do not believe that the fundamental elements relating to project management skills are adequately addressed.

Given our comments regarding the uncertainty of the future model for governance of the IESs, we believe that the Board could have been more ambitious in the scope of change it is proposing to the learning outcomes in these standards. Other key issues such as project management could have been included within the scope of this project. As a result, an opportunity has been missed, and it is not clear if or when any further revision will be undertaken.

Specific Questions

Our comments with respect to the specific questions outlined in the Explanatory Memorandum to the Exposure Draft are set out hereafter.

We also have a number of specific comments on other changes that are listed in the *Detailed feedback* section at the end of this letter.

Question 1: Do you support the proposed revisions to the learning outcomes related to the areas of Information Communications & Technologies ("ICT") and Professional Skepticism provided in Appendices A, B, C, and D? If not, what changes would you suggest?

In general, we are supportive of the changes made but make the following observations:

1. In IES 2 a new learning outcome (a)(iv) has been added 'Assess audit evidence for appropriateness and sufficiency. We do not believe this new learning outcome really captures the essence of the application of professional skepticism as referred to in the rationale for the proposed revisions – it is not particularly robust, and we recommend including the concept of 'critically evaluating' to strengthen the link to exercise of professional skepticism.
2. In IES 3 a new learning outcome (a)(ii) has been added 'Apply critical thinking skills to solve problems'. In the rationale for the proposed revisions, the Board states that the proposed change is to reflect that "critical thinking skills are an underlying competency of professional skepticism and are used in solving problems". However based on the wording used, the proposed change seems to limit itself only to the 'solving problems' element. We recommend that the Board revisit the wording.
3. In IES 4 we are concerned that all the changes and additions to the learning outcomes on *Professional Skepticism and Professional Judgement* relate only to professional skepticism, with the unintended consequence that the importance and emphasis on professional judgement is reduced. We therefore recommend that that the learning outcomes in this category be reassessed, and specific additional outcomes relating to professional judgement are considered for inclusion.

4. In IES 8 learning outcome (a)(v) has been amended to remove reference to 'and documented' on the basis of redundancy. Given the continuing findings from inspections of audits and the overall focus on the importance of documentation, in our view there remains an important distinction between performing something and adequately documenting it, which should continue to be emphasized. We therefore recommend that the specific reference to 'and documented' be retained.

Question 2: Are there any additional ICT and professional skepticism learning outcomes that you would expect from aspiring and professional accountants (See Appendix E)?

In IES 2, the current section (j) Economics does not include any proposed changes to reflect the impact of ICT. Specifically, we recommend that the current learning outcome (j)(ii) 'Describe the effect of macro-economic indicators on economic activity' is reassessed to consider whether the reference to ICT should be included.

Also see our response at Question 1 comment 3 above related to professional judgement.

Question 3: Do you support the new definitions of Information and Communications Technologies, Intellectual Agility, and Professional Judgement added to the IAESB Glossary of Terms? If not, what changes would you suggest?

The existing IAESB Glossary of Terms already includes a definition of Professional Judgement, which we assume the proposed new definition would replace. The new definition has been taken from the *IESBA International Code of Ethics for Professional Accountants*, and we have the following observations:

- When compared to the previous definition of professional judgement, the new definition is narrower, and has a specific ethical focus (as would be expected for a definition taken from the Code of Ethics). The previous definition looked more broadly across the application of 'auditing, accounting and ethical standards'. We recommend the Board revisits whether simply reusing the new Code of Ethics definition is the right approach for the IESs.
- In other situations where the IAESB utilizes a term from the glossary of one of the other standards setting boards, this term has been highlighted separately in the explanatory material of the standard concerned (for example para A1 of IES 8). We would recommend the IAESB takes a consistent approach to the use of such terms.

Question 4: Are there any terms in the new and revised learning outcomes of IESs 2, 3, 4 and 8 which require further clarification (Appendix E)? If so please explain the nature of the changes?

The term 'collaboration skills' is introduced in the new IES 3 learning outcome (b)(ii). We do not believe this term will be well understood, and recommend the Board either provides a definition, or more clearly articulates what this learning outcome is trying to specifically address.

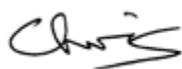
Detailed feedback

In addition to our responses to the specific questions in the Explanatory Memorandum, we would like to provide comments on specific points of detail in the exposure draft, including suggestions for changes aimed at enhancing the clarity of the final standards.

Standard/ Paragraph	Content	Comments/Suggestions for change
IES 2 Para 7 – Table A	(b) Management accounting (iii) Analyze data to provide meaningful information to support management decision making.	To be consistent with changes elsewhere, this should refer to 'data and information'. We suggest that it be reworded to: "Analyze data and information to provide support for management decision making."
	(e) Audit and assurance (vi) Assess audit evidence for appropriateness and sufficiency.	As the section refers to 'Audit & assurance' and this learning outcome follows after the one learning outcome which addresses assurance engagements, we question if it was the Board's intention to limit the learning outcome on assessment of evidence only to audit engagements?
	(h) Information and communications technologies (vi) Use ICT to communicate with impact and influence others	We question whether "communicate with impact" will be well understood and recommend the Board review and provide clarification.
IES 2 A9 For example, the learning outcomes within information technology and communications technologies may be achieved through....	Replace 'information and communications technologies' with the acronym 'ICT' to be consistent with all other proposed changes.
IES 4 A30	Ethical threats and potential dilemmas for aspiring professional accountants....	For consistency purposes (based on other proposed revisions), we recommend that the reference to 'and potential dilemmas' is removed.

Please do not hesitate to contact us should you wish to discuss any of our comments further.

Very truly yours,



Chris Powell

Managing Director, Global Audit & Assurance Talent

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