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International Federation of Accountants
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CPA Australia's submission on the IFAC Consultation on amendments to the International Education Standards (IES) 2,3 and 4.

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 173,000 members working in 100 countries and regions.

We make this submission in response to the International Federation of Accountants' (IFAC) [proposed changes](#) to the International Education Standards (IES) 2,3 and 4. As observers on the International Panel of Accountancy Education (IPAE), we understand and support the context and intent of the proposed amendments.

The views reflected in this submission have been informed by our members in business, public practice, accounting education and standard-setting who are directly involved in the implementation of sustainability standards.

The importance of sustainability for the accounting profession.

We note the importance of the work on revising the International Education Standards to encompass sustainability-related considerations.

This work is in line with other programs being undertaken by the International Sustainability Standards Board (ISSB) and International Accounting Standards Board (IASB), along with the International Ethics Standards Board for Accountants' (IESBA) work to embed sustainability as a core competency for accounting professionals.

Education as a key to unlock value.

CPA Australia continues to support IFAC's role in providing a robust framework of education standards that underpins the content and the depth of knowledge, understanding, and application required by aspiring accountants globally.

The IES inform our admissions process, accreditation and educational programs, and underpin our enabling framework of mutual recognition agreements (MRAs).

This global baseline of a common understanding is invaluable to safeguard the continued standing of the profession and to provide comparability in turn to the designations that underpin the profession.

The role of the accounting profession.

We agree with the principle of accountants being systems thinkers and commend IFAC for using this as its starting point. We also agree that while sustainability topics, with an initial focus on climate, should initially be given a dedicated focus, they should be incorporated as part of organisations' governance, risk management, strategic decision making and performance management processes over time.

CPA Australia supports the principles of Integrated Reporting and Integrated Thinking as critical to supporting an organisation's consideration of value creation or erosion over time in a holistic and interconnected way. We point to the principles and capitals of Integrated Reporting in this instance as an example of the holistic thinking that are supported by IFAC's intent.

Detailed responses.

We have concerns about the approach to the incorporation of sustainability into the various learning outcomes contained within the respective standards, and the intent to separate a dedicated new area for assurance.

We recognise the complexity in incorporating new knowledge areas into the IES, particularly where the established approach to accounting education design may not fully align with the evolving landscape and nascent and emerging standards.

The integration of sustainability concepts into the learning outcomes for accounting-focused competencies in particular creates challenges as the distinction between accounting and sustainability standards becomes less clear. In turn, this leads to a lack of clarity on what outcomes are to be achieved, and the content and assessment that would be required, to satisfactorily demonstrate competence.

While the breadth of the audit and assurance competency is large when sustainability is incorporated, our view is that this is a single, unified competency that covers both financial and sustainability standards.

The emerging nature of combined audit and assurance engagements reflect market expectations of accountants' capabilities to undertake both audit and assurance activities alongside professionals with a dedicated technical skillset, appropriate to the topic being analysed.

In the broader context, CPA Australia promotes the unified application of audit and assurance competencies to the field of sustainability and sees benefit in supporting the role of accounting professionals in both the audit and assurance of sustainability reporting. We therefore suggest reconsideration of the decision to separate assurance competencies from audit competencies.

We also query whether benchmarking at the "Foundation" competency level is appropriate for assurance activities, given the importance and financial impact of sustainability reporting. We suggest that the IES set an "Intermediate" competency requirement while providing a transition period for IES users to adapt to the new requirements.

We expound on these views in our responses to the specific questions contained in the Consultation, contained in the Appendix.

Given the importance of these proposed changes, we are available to discuss our feedback in further detail with you. Please contact Patrick Viljoen, ESG Policy Lead, at patrick.viljoen@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Elinor Kasapidis". The script is cursive and fluid.

Elinor Kasapidis
Interim Chief of Learning and Innovation
CPA Australia.

Appendix: Responses to the detailed questions posed in the consultation.

Question 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.
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We acknowledge the iterative approach adopted by IFAC in amending the education standards, which ostensibly seeks to weave sustainability-related considerations into the existing technical, professional and ethics competencies.

While this approach leverages the existing core technical competencies of the accounting profession and overlays a lens for sustainability, we are concerned that there are aspects unique to sustainability that may indeed go above and beyond the core competencies or be separate to them.

Although we are aware of the speed at which sustainability-related reporting, disclosure and assurance requirements are evolving, we are concerned about the approach being taken, which could inadvertently hard-wire a limited sense of understanding.

We would advocate for a two-phased approach the review of the standards being:

- A dedicated standalone review of the requirements of sustainability-related reporting, disclosures, audit, and assurance.
- An overlay of the totality of the requirements of sustainability as contemplated above against the current framework.

Alternatively, and in acknowledgement of the additional resource and time burden our initial suggested approach may give rise to, we would suggest a post-implementation review to be conducted alongside professional bodies, to ascertain the implications of any mapping and embedding of the IES alongside the core curricula and learning objectives of their respective academic programs.

Question 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 suggest.
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Financial accounting, disclosure, and reporting.

On first reading, the proposal for the title does not seem to fully indicate the importance of sustainability, and ostensibly hems the consideration against financial considerations. We would recommend that the use of wording to clearly separate between financial accounting and disclosure with broader disclosure. We would recommend 'Financial accounting, reporting and extended / external disclosure.

The cross-referencing of the ISSB standards (currently IFRS S1 and IFRS S2) as a note to the provisions contained with learning outcome (a)(i) further compounds our concern expressed previously around the conflation of accounting and sustainability. It also does not adequately recognise that standing of the ISSB as a sister entity to the IASB.

This also highlights an apparent inconsistent approach to the drafting of the learning outcomes. Whereas sustainability standards are not clearly called out in learning outcome (a)(ii) there are two separate learning outcomes that are created for the resulting and supporting policies that each would contain i.e. (a)(iii) and (a)(iv).

Management accounting.

We have significant concern around the proposed changes to the learning outcomes of this technical competency area. In this regard we note that the changes made to the learning outcomes by and large amplify the existing outcomes but seem to err on the side of generic wording.

It is our view that management accounting would play a critical role alongside external reporting and audit and assurance in an organisation’s transition to a more sustainable future. We note the absence of a learning outcome that specifically deals with the skills that would support the management accountant’s role such as lifecycle analysis, circularity and science-based targets.

We would therefore recommend a dedicated learning outcome to be added to reflect the pivotal role that management accountants would play and to provide a natural home for the unique sustainability-related skills that they would need to possess.

We recognise the inclusion of value chain analysis into the learning outcomes ((b)(ii)). We further note that the definition proposed aligns with the proposals from IESBA for the International Ethics Standards for Sustainability Assurance.

In this instance we would point to CPA Australia’s submission to IESBA in which we raised a concern that while we support the proposed definition of value chain in the context of sustainability assurance engagements, we note the potential challenges faced by professionals who are not professional accountants in understanding and adopting the definition. Specifically, references to materiality and components may not be readily understood.

We suggest a minor editorial change for consistency. Specifically, we recommend changing the proposed learning outcomes in IES 2 (b)(ii) from ‘appropriate technology and techniques’ to ‘appropriate automated tools and techniques.’

Question 3	Do you support the proposal to create of a new competence area for assurance? Is the level of the proposed assurance competence area and learning outcomes at foundation level, appropriate for aspiring professional accountants? If not, please explain your reasons and indicate what changes you would suggest.
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We disagree with creating a new competency area for assurance. Additionally, we are concerned that the proposed technical competency for Assurance is set at the foundation level, which is inconsistent with the intermediate level for Audit and Financial accounting, disclosure, and reporting. It seems IFAC has made a strategic decision to emphasize sustainability reporting and assurance while maintaining rigorous standards for traditional financial audit and accounting. However, we caution against this approach. We recommend that IFAC reconsider and set the technical competency for assurance at the same intermediate level as other areas.

Our concerns and rationale relate to several key issues which is explained below.

Redundancy.

We believe that the existing competency areas already encompass the skills and knowledge required for assurance. We note for example that the new learning outcomes for assurance are based on the language used in Audit, albeit being pinned at a foundation level directive. Creating a new area would therefore result in unnecessary duplication.

Integration.

We note that Assurance skills are integral to several existing areas within IES 2, IES 3 and IES 4. It is our view that isolating them in IES 2 and into a separate competency area could undermine the holistic approach to professional development.

Furthermore, setting the proposed learning outcomes for IES 2 at the foundation level will be challenging to reconcile to the intermediate level of assurance skills that are integrated as part of IES 3 and IES 4.

Inconsistency.

Creating a new competency area specifically for Assurance to address sustainability assurance seems to contradict the overall integrated approach taken by IFAC. It is our view that this inconsistency undermines the cohesive integration intent applied in drafting the proposed amendments to the IESs.

Sustainability reporting as a technical competency area is being integrated into other learning outcomes in IES 2 such as: Financial accounting, disclosure and reporting; Management accounting and Finance and financial management at an intermediate competency level.

The extant learning outcomes for Audit and Assurance were also set at an intermediate level of competency. Given this positioning it is puzzling why Assurance is set at a foundation level of competency, which we believe is out of step with other comparable topics within the IESs.

We would argue that the competency of aspiring assurance practitioners should match the competency of aspiring sustainability preparers to be effective in their roles.

Further analysis of IFAC's definition of proficiency levels leads to the following summary:

IFAC level of proficiency: partial summary	Extent of work	Level of responsibility	Competence areas employed	Level of ambiguity, complexity and uncertainty	Level of influence
Foundation	Task	Under supervision	Technical	Low	Provide information
Intermediate	Assignment	Independent	Application of technical and personal	Moderate	Present and explain information
Advance	Project	Manage and lead	Integration of technical and personal	High	Present, explain and persuade with information

We believe assigning a foundation level of proficiency to Assurance is inappropriate. Assurance engagements should have the same level of competency as audit engagements. Both types of engagements, regardless of the subject matter, are equally important for maintaining rigor and confidence in the capital market. Therefore, we urge IFAC to reconsider its position on the competency level for Assurance and recommend matching it to the intermediate level used for other areas.

We also note that under the Audit topic learning outcome (vi) requires aspiring professional accountants to "conclude whether sufficient and appropriate audit evidence has been obtained." However, there is no equivalent learning outcome provided in the Assurance topic. It is unclear why this important learning outcome is not a requirement for Assurance.

Flexibility.

The current framework can be adapted to incorporate any new developments in assurance without the need for a completely new area, ensuring that it remains relevant and comprehensive.

Resource Allocation.

Developing and maintaining a new competency area would require significant resources. The implication is potentially developing a new Program subject for Assurance. These could be better spent enhancing the current areas to include emerging assurance-related skills and knowledge.

We also believe that a single topic would reflect the emerging nature of audit and assurance engagements, the need for efficient use of declining talent, and the strategic benefits of a unified approach underscore the importance of maintaining comprehensive competency areas.

Question 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.
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In our response to Question 2, we commented on the definition of 'value chain.' Additionally, we provided our observations regarding the term 'net zero transition plans' as below.

We note that management accountants would increasingly play a pivotal role in the construction, costing and ongoing performance measurement of net zero transition plans.

The use of net zero transition plans in the future by primary users of information to understand the credible steps that organisations are taking from a resourcing, business model transition will continue to increase.

It is our view that net zero transition plans should be incorporated into the glossary.

We would also point to our earlier comment about the alignment of a clear definition of the concept of a value chain, which we believe may still not have a clear and comprehensive definition.

Question 5	Do you believe that the adoption and implementation, including the proposed effective date, of the proposed revised IES 2, 3, and 4 will present any challenges to your organization? If yes, what challenges do you foresee?
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We are aware that standard setting takes time, and we appreciate IFAC’s proactive approach to providing the education standards with resilience as sustainability becomes a critical consideration for accounting and finance professionals.

We also note that changes to academic programs to allow for the inclusion of sustainability-related content and outcomes will take time due to the governance processes that these programs are subject to. Not all professional bodies would be at a similar point of maturity, and that the transition of academic programs would happen at a different pace.

We would therefore continue to advocate for a very close collaboration with professional accounting bodies globally noting that some have already embarked on transitioning their programs, whereas others may not have.

It is also probable that in the first instance the focus and opportunity for testing could be within the ongoing professional development space, which is able to move with greater agility.

Lastly, we would note that the global adoption of IFRS S1 and S2 is underway, with various jurisdictions going through a consultation process to enable the mandating of sustainability-related disclosures. Professional accounting bodies would need to balance against the requirements of the standards. This initial push for resourcing could potentially cause confusion and a disconnect with the ambitions of the IESs.