



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)	THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	MANDI OLIVIER
Name(s) of contact(s) for this submission (or leave blank if the same as above)	MANDI OLIVIER
E-mail address(es) of contact(s)	mandio@saics.co.za
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.	Africa and Middle East
	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.	Member body and other professional organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	<p>SAICA is a voluntary non-profit member organisation that that operates in terms of its constitution. SAICA’s head office is in Johannesburg and has offices in Bloemfontein, Cape Town and Durban, situated close to the business areas in which its members operate.</p> <p>SAICA’s main objective is to serve the interests of the chartered accountancy profession and society, by upholding professional standards, integrity and the pre-eminence of South African chartered accountants worldwide.</p> <p>SAICA offers three reputable professional accounting and business designations from a foundational to a strategic level of accounting and business competence – Accounting Technician [AT(SA)], Associate General Accountant [AGA(SA)] and Chartered Accountant</p>

[CA(SA)]. These three designations are underpinned by the SAICA Code of Professional Conduct (the SAICA Code) and continuous professional development (CPD) to ensure the highest level of professionalism, discipline and performance.

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): [See comments below](#)

Yes, SAICA supports the proposed changes to IES 2, 3 and 4.

It aligns with the move to a global baseline for sustainability reporting, including management accounting, auditing and assurance. We believe that the alignment with the IFRS Foundations IFRS Sustainability Disclosure Standards allows for global comparability and rigour since the IFRS Sustainability Disclosure Standards are based on strong and well-known frameworks.

We would however propose the use of the principles of “integrated thinking” under IES 2 (l)(iii) on page 17 (rather than systems thinking) as this includes terminology from the <IR> Framework and Integrated Thinking Principles maintained under the auspices of the IFRS Foundation and more accurately reflects the learning outcome that should be developed. Integrated thinking is referred to as:

“The active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects.”

It is, therefore, a very important way of thinking in the current global reporting environment. The role of the accountant should change from only being financially focused (silo thinking) to also providing measurement, reporting, disclosure and assurance for non-financial aspects of business by integrating the needs of stakeholders to create value not only for organisations but also for broader society. The development of business acumen is critical to ensure that accountants can practice integrated thinking and are able to connect the dots from a strategic, risk management, governance and reporting perspective.

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): [See comments below](#)

It is a good start and basis for entry level / aspiring accountants. Inclusion of other aspects of sustainability reporting should only be added later if some learning outcomes are removed as the accounting curriculum is already very full (the most common complaint we here from academics is that there is “syllabus overload”

as there are always new things being added but nothing is ever taken out). These IES's are aimed at aspiring professional accountants and there is scope for more learning to take place after meeting the requirements to become an accountant as development of lifelong learning is a core skill.

Also see detailed comments under general below.

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): [See comments below](#)

SAICA agrees with the new competence area for assurance (and the split from audit). By expecting the audit of financial statements outcomes at the intermediate level, while those for other 'assurance' to be at a foundational level is educationally sound – as the 'ways of doing' in the audit context are transferable to the assurance context, and having the foundational level will provide a basis from which the professional accountant can further develop themselves.

IFAC should however also note that some jurisdictions may choose not to separate these competency areas in their competency frameworks but none-the-less have learning outcomes specifically describe for assurance on non-financial reporting.

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: [Click to select from dropdown menu](#)

Detailed comments (if any): [See comments below](#)

For now, the foundational level for assurance is considered appropriate. This may need to be aligned over time to the reporting of "sustainability disclosures" in (a) and the auditing area which are both at an intermediate level.

Our concern, however, is that the scope of the separate assurance competency area is rather broad, with the IAASB already having issued standards on the following areas (for areas not related to the audit of financial statements):

- ISAE 2400 Engagements to Review Historical Financial Statements
- ISAE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity

- ISAE 3000 Assurance Engagement Other than Audits or Reviews of Historical Financial Statements
- ISAE 3400 The Examination of Prospective Financial Information
- ISAE 3402 Assurance Reports on Controls at a Service Organization
- ISAE 3410 Assurance Engagements on Greenhouse Gas Statements
- ISAE 3420 Assurance Engagements to Report on Compliance of Pro Forma Financial Information Included in a Prospectus.

As noted earlier, the curriculum for aspiring professional accountants is already very full – and while the focus on selected IAASB Standards (including those related to reviews and sustainability) is important, it is less evident whether all such Standards necessarily need to be addressed in the education of a competent entry-level professional accountant. Accordingly, we would propose that the expectation for the assurance learning outcomes for the full suite of IAASB assurance standards (extant as well as those to be issued in future) be clarified with the revision to IES 2.

In the separated competency area of “Assurance”, a further concern we bring to your attention is the reference to “...including sustainability information” in (f) (i and ii) This may be read as assurance over only sustainability information, while, as indicated above, assurance is a much broader concept that includes review engagements. We propose including wording in the Assurance area heading: “Assurance of financial and non-financial information” with a foot note like in (a)(ii) referring to sustainability as one example of information over which assurance is provided.

Also see detailed comments under general below.

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): [See comments below](#)

IES 2 (I)(iii) (page 17): As mentioned in the response to Question 1, Systems thinking is not defined and there may be a wide interpretation of what this is. Consider adding a definition of systems thinking. However, it may be more appropriate to refer to “integrated thinking” as this terminology was part of the <IR> Framework that is now part of the IFRS Foundation. The IFRS Foundation also has separate educational material relating to integrated thinking, and therefore, it would be appropriate to refer to integrated thinking within the learning outcomes.

IES 3 (b)(ii) (page 20) – We suggest “Develop **and deliver** clear and concise communications for specific audiences.” This will ensure that aspiring professional accountants are also required to “talk to” the audience of any communications they develop. For example, only developing a presentation does not give the exposure of delivering to an audience. This is important as the essence of “presenting and discussing” has been removed and the meaning of this learning outcome may have inadvertently been changed.

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: [Agree, with comments below](#)

Detailed comments (if any): [See below](#)

While the inclusion of, and reference to, sustainability reporting is a key shift and a key role in which professional accountants can operate, the IES’s are aimed at aspiring professional accountants (or “at entry” to the profession). Consideration must be given to the learning outcome that requires professional accountants to be lifelong learners. Knowledge changes rapidly and we cannot keep adding more knowledge to the development of aspiring professional accountants. The main challenge faced by those developing these learning outcomes will be to “fit” this in to an already jam-packed curriculum.

While the importance of sustainability cannot be ignored, each PAO will need to carefully consider what “trade-offs” and changes will need to be made to shift focus in the curriculum (both in the development and assessment of the learning outcomes). This could include a more explicit shift from technical-orientated outcomes to skills-based outcomes. Irrespective, and while skills may be transferable, time still needs to be made to develop the ability to “transfer common knowledge and 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): [See comments below](#)

Comment 1: SAICA welcomes the changes and additions and believes that it is forward-thinking and in line with the current transformation of accounting professions globally. We believe that accountants will be

part of a complex and dynamic environment that continues to be filled with complexity and ambiguity and will need to be able to connect important 'dots' to be agile decision-makers. We believe that these changes will support the role of aspiring professional accountants in creating societal value and contributing to the UN SDGs.

Comment 2: Thank you for the detailed comments provided on the thought process (especially the rationale column included in Appendix A – C). It helps us to understand why something was changed or not changed and we can see that a great deal of effort was put into the process. We highlight a concern that the rationale does not appear in the actual revised IES and it may therefore be necessary to keep the tables with the rationale to assist new stakeholders to understand the reasons why the changes were made.

Proposed change: **Consideration could be given to including some of the rationale in the actual IES itself (or keeping the Annexures A – C in the guidance IFAC materials).**

Comment 3: IES 2(a) Heading for the competency area: (Financial accounting, disclosures and reporting)

We agree with the rationale for expanding this competency area to incorporate non-financial reporting.

However, with the emphasis still placed on financial accounting, it is possible to assume that disclosure and reporting only refer to the outcomes of financial accounting. What about non-financial reporting?

It is proposed to make this more explicit by using the updated terminology (refer to ISAE 3000) of “External Extended Reporting” to encapsulate all the different reporting forms, including sustainability, ESG, Integrated Reporting, etc.

Proposed change: **General purpose financial- and external extended reporting**

Comment 4: IES 2(a) Proficiency level at Intermediate

The overall proficiency to be demonstrated by professional accountants for this competency area is set as “intermediate”; however “, evaluate” is a verb used at the advanced level and is used to describe both (a)(iii) and (a)(iv).

Proposed change: **Consider changing the overall level to “advanced” or change the verbs (evaluate) used in (ai) and (aia) to interpret or analyse.**

Comment 5: IES 2(a)(ii)

The footnote to this learning outcome indicates that IFRS includes IASB-issued standards as well as the ISSB-issued disclosure standards. While we agree that this is the case, IFAC should take jurisdictional differences into account as in South Africa; for example, the adoption of the sustainability standards has not as yet been legislated. In South Africa, we make use of other mechanisms to look at value creation and sustainability (through King IV and the requirement to compile an integrated report). We are therefore unlikely to include S1 and S2 in the detailed curricula until such time as this is required by law. We have however for many years incorporated the concepts behind sustainability through the Integrated Reporting Framework.

Proposed change: **None, however jurisdictional differences will need to be accounted for**

Comment 6: IES2 (a)(iv): The verb used to describe the learning outcome is “evaluate” which is considered an “advanced level” verb. This level is too high a level for aspiring professional accountants who are at this stage only entering the profession.

Proposed change: Reduce the learning outcome to intermediate by changing the verb from **“evaluate” to “analyse or interpret”**

Comment 7: IES 2 (a) (iii) and (iv)

We agree that iii and iv overlap and could be consolidated into one learning outcome, but we also agree that adding a separate learning outcome for sustainability disclosures makes it more explicit. However, this limits the scope to only financial and sustainability reporting (which could be confusing in itself).

Proposed change: (iv) Evaluate the appropriateness of policies used to prepare **extended external reports.**

Comment 8: IES 2(a) (vi) and (vii)

By including references to the non-financial data and information in the form of sustainability disclosures and other disclosures in IES 2(a)(vi), (a)(vii) seems redundant. We propose collapsing (vii) into (vi).

Proposed change (vi-vii combined): Interpret financial statements **and external extended reports.**

Comment 9: IES 2 (b)(v)

While SAICA agrees with the proposed change to measure sustainability performance at organisational level, we would propose to add a reference to short, medium and long-term performance to make the link to sustainability more explicit.

Proposed change: Evaluate the **short-, medium- and long-term** performance of an organization and its products and business segments, products, and services against metrics and targets

Comment 10: IES 2 (f)

While we understand sustainability assurance to be a specialised area (post IPD) and that this would be different for different jurisdictions, has any consideration been given to updating the learning outcome for auditors in IES 8?

Proposed change: **Consider updating IES 8**

Comment 11: IES 2 (g)

It will also be important to understand how sustainability risks and opportunities related to sustainability are to be covered as no changes were proposed for section (g) which covers risk management.

Proposed change: To be consistent with the other changes made in the document, **reference should also be made to including sustainability risks in this section.**

Comment 12: IES 2 (g) (addition)

With reference to sustainability and other advancements, we would recommend the inclusion of an additional learning outcome under governance. The concept of combined assurance is specifically relevant when referring to the assurance of sustainability information in extended external reports but it forms an integral part of the control environment within organisations.

Proposed inclusion: **(vi) Assess the organisation's combined assurance model to evaluate the effectiveness of the control environment in supporting the integrity of information, data and reporting**

Comment 13: IES 2 (h)

ICT learning outcomes need revisions to incorporate the capabilities and changes that Artificial Intelligence (AI) brings. Although this was not in the scope of this exposure draft, it is an essential and significant change to ways in which the professional accountant will need to work into the future, therefore we recommend that these learning outcomes also need to be refreshed.

Proposed change: **Updates should also be considered to the ICT section of IES 2**

Comment 14: IES 2 (j)(i)

We agree with the expansion to include the PESTEL components, as well as the use of the term **environmental**. It is important to differentiate between the environment (in general e.g. iii) and the natural environment / ecology to avoid confusion.

Comment 15: IES 2 (j)(ii)

We agree with the inclusion of the business model and reference to the value chain. We would, however, recommend that the link to sustainability be made more explicit.

Proposed change: Describe how an organization creates value through its business model and an organization's business model including its value chain

Comment 16: IES 3 – We Agree to all proposed changes (no further comments)

Comment 17: IES 4 - We Agree to all proposed changes (no further comments)