

**Explanatory Memorandum**  
**April 2024**  
*Comments due: July 24, 2024*

*International Education Standards (IESs)*

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**Proposed Revisions to IES 6**  
**– Initial Professional**  
**Development – Assessment**  
**of Professional Competence**



This Exposure Draft was approved by the International Federation of Accountants® (IFAC®).

IFAC is the global organization for the accountancy profession. We serve the public interest by working with our member organizations to help ensure a skilled, knowledgeable, and ethical workforce of professional accountants around the world; by contributing to the development of sustainable private and public sector organizations; and by supporting strong international financial markets and economies. IFAC's membership comprises more than 180 professional accountancy organizations in over 135 jurisdictions, representing more than 3 million professional accountants in public practice, industry, government and education.

## REQUEST FOR COMMENTS

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by July 24, 2024.**

### *Use of Response Template*

Respondents are asked to submit their comments electronically through the Response Template available on the IFAC website, using the “[Submit Comment](#)” button. The response template has been developed to facilitate responses to the questions in the Explanatory Memorandum. Use of the template will facilitate our automated collation of the responses.

Also, please note that first-time users must register. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IFAC website: [www.ifac.org](http://www.ifac.org). The approved text is published in the English language.

# EXPLANATORY MEMORANDUM

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## Introduction

1. This memorandum provides background to, and an explanation of, the Proposed Revisions to IES 6, Initial Professional Development – Assessment of Professional Competence. The IESs improve the quality of professional accounting education worldwide by prescribing requirements for:
  - Entry to professional accounting education programs;
  - Initial Professional Development (“IPD”) of aspiring professional accountants; and
  - Continuing development (“CPD”) of professional accountants.
2. IFAC is responsible for maintaining and promoting the IESs and overseeing the standards revisions process. IFAC is supported by the International Panel on Accountancy Education (“IPAE” or the “Panel”), who has a mandate to monitor and advise IFAC on developments relevant to accountancy education, including on the need for revisions to, or creation of new IESs. The Panel endorses the content of, and consultation process followed in the development of, new/revised IESs for recommendation to the IFAC Board. The IFAC Board provides oversight and final approval of new/revised IESs.

## Background

### *Extant IESs*

3. Within the IESs, assessment is the evaluation of professional competence. IES 6 prescribes the requirements for the assessment of the professional competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development.

### *Information Gathering Activities*

4. Assessments are a key feature of the journey to becoming a professional accountant. Every year, thousands of aspiring professional accountants complete assessment activities. These are delivered in a variety of modes, including in-person paper-based and computer-based examinations. The past few years brought new challenges and opportunities with respect to the evolution of candidate assessment. Many Professional Accounting Organizations (“PAOs”) have already embarked on change journeys, with many adapting to hybrid or remote assessment environments.
5. With this in mind, the Panel sought feedback from IFAC’s Accountancy Education Director Forum<sup>1</sup> on whether future outreach and consideration was needed. Feedback from these parties indicated that revisions to modernize IES 6 could be appropriate. As a result, the IES 6 Fit-for-Purpose working group was set up to gather further information. These activities included:
  - [Review and analysis](#) of relevant published articles and papers. This included reviewing publications from IFAC Knowledge Gateway, PAOs and academic articles on proctoring for online assessments, impact on student performance, and issues of integrity for online assessments.

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<sup>1</sup> IFAC’s Accountancy Education Director Forum is comprised of Education Directors from both IFAC Member Organizations, as well as members of the Forum of Firms. It meets regularly to share good practice and discuss current issues in Accountancy Education.

- Stakeholder consultation meetings with Accountancy Education Directors of IFAC Member Bodies and Forum of Firms throughout 2022 and 2023.

#### *Findings from Information Gathering Activities*

6. The findings obtained from the above activities are summarized as follows:
  - Emphasis that IES 6 needs to be updated to reflect the shift in how assessments are delivered, with a large number of jurisdictions now using or considering remote or online examination. In particular, the information gathering highlighted the importance of authenticity and integrity for assessments, which is currently missing in IES 6; and
  - Acknowledgement of the importance to modernize the concept of equity so that it also reflects principles of accessibility and inclusivity.

#### *Decision to Revise and Add New Learning Outcomes*

7. Following a full discussion of the information gathering findings, the Panel concluded that the extant IES 6 did not sufficiently address new issues impacting assessments. As a result, the Panel decided to proceed with a revision project that would address the new issues raised of authenticity, integrity, accessibility, and inclusion.

#### *Public Interest Objective*

8. Assessments are a key element of evaluating whether aspiring professional accountants have attained the required level of professional competence by the end of IPD. The proposed revisions to IES 6 are expected to improve the consistency, quality, and relevance of assessments undertaken by aspiring professional accountants during IPD. This also serves the public interest by improving the quality of professional accounting education and enhancing the professional competence of the accountancy profession.

### **Significant Matters**

9. This section describes the significant matters considered and the resulting decisions that the Panel has taken to propose revisions to the extant IES 6.

#### **Four New Principles of Assessment**

10. The extant IES 6 includes five principles of assessment: reliability, validity, equity, transparency, and sufficiency. The information gathering highlighted a need to add four new principles – authenticity, integrity, accessibility, and inclusion.
11. *Authenticity* – an assessment activity has a high level of authenticity if it reflects realistic situations faced by professional accountants. This helps prepare aspiring professional accountants for the complexity, variety of tasks and how tasks are undertaken. Incorporating technology into assessment design can help make assessments more authentic.
12. *Integrity* – an assessment activity has a high level of integrity when there is a confidence that the assessment completed and submitted is that of the aspiring professional accountant. With the increasing reliance on technology for assessments, integrity in assessments is a key priority.

13. *Accessibility and inclusion* – the principle of equity has been updated to include both accessibility and inclusion. An assessment activity has a high level of accessibility, equity, and inclusion when it meets the requirements of aspiring professional accountants with additional educational needs, is value-neutral and culture free, and does not pose barriers for aspiring professional accountants, based on unique and differing cultures of values.
14. In addition to the above matters discussed, where appropriate, to increase the longevity of the updates, the Panel modernized and clarified language, for example, in relation to the examples of assessment activities.

## **Proposed Way Forward and Effective Date**

15. This exposure draft proposes revisions to IES 6. IFAC staff, the Panel, and the IES 6 Fit-for-Purpose Working Group will analyze and deliberate on comments from respondents on this Exposure Draft with an aim of seeking IFAC Board approval of the proposed revisions at its November 2024 meeting.
16. As a result, the Panel has provisionally recommended that IES 6 will be effective for implementation 19 months after final IFAC Board approval (approximately July 1<sup>st</sup>, 2026) to enable IFAC member bodies time to translate the standards and develop appropriate processes for their implementation. Earlier adoption would be permitted and encouraged. It is in the interests of IFAC member organizations and other interested stakeholders who use the IESs to release the standards as soon as they are approved to facilitate their implementation.

## **Proposed Conforming Amendments**

17. The Exposure Draft for the proposed revisions to IES 6, Assessment of Professional Competence, includes a number of conforming amendments to all other IESs, as well as the IES Glossary. These proposals are included in Appendices C-D.
18. In addition, a number of conforming amendments have been proposed to modernize language and remove reference to the International Accounting Education Standards Board (“IAESB”) from the IESs. When IAESB ceased to exist in 2019, IFAC assumed responsibility for maintaining and promoting the IESs and overseeing the standards revisions process.

## **Guide for Respondents**

### **Request for Specific Comments**

19. With reference to appendices A to F, please respond to the questions below:
  - Question 1.** Do you support the proposed revisions to IES 6? If not, please explain your reasons and indicate what changes you would suggest.
  - Question 2.** Do you find the revisions to the IES 6 Explanatory Material to be helpful? If not, please explain your reasons and indicate what changes you would suggest.
  - Question 3.** Do you find the revisions to the Glossary and Conforming Amendments to be helpful? If not, please explain your reasons and indicate what changes you would suggest.

**Question 4. Do you believe that the adoption and implementation of the proposed revised IES 6 will present any challenges to your organization? If yes, what challenges do you foresee?**

**Request for General Comments**

20. General comments are welcomed on all matters addressed in the proposed IES 6 (See Appendices A to F). 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.



**Appendix A: IES 6 Extract – Markup**

**INTERNATIONAL EDUCATION STANDARD 6,  
INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF  
PROFESSIONAL COMPETENCE (2015~~2024~~)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. This International Education Standard (IES) prescribes the requirements for the assessment of the professional competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member ~~bodies~~ organizations. IFAC member ~~bodies~~ organizations have a responsibility to assess whether aspiring professional accountants have achieved the ~~appropriate~~ required level of professional competence by the end of IPD. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Within the IESs, assessment is the evaluation of professional competence ~~developed through learning and development~~. ~~IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. Learning and development is, however, an ongoing process of developing and maintaining professional competence throughout the career of a professional accountant, and so continues through Continuing Professional Development (CPD). During IPD the focus is on the achievement of professional competence. During CPD the focus is on the development and maintenance of professional competence. It involves assessing learning outcomes to have confidence that an aspiring professional accountant has demonstrated the required level of professional competence by the end of IPD to perform a role as a professional accountant.~~
4. This IES specifies requirements for the assessment of professional competence, ~~while~~:
  - IES 2, *Initial Professional Development – Technical Competence (201520XX)*, IES 3, *Initial Professional Development – Professional Skills (201520XX)*, and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes (201520XX)*, specify assessment requirements relevant to their areas of focus within IPD; and
  - IES 5, *Initial Professional Development – Practical Experience (2015)*, specifies requirements for the assessment of practical experience.
5. Definitions and explanations of the key terms used in the IES and the *Framework for Professional Accountants and Aspiring Professional Accountants (20152019)* are set out in the ~~International Accounting Education Standards Board (IAESB) Glossary of Terms for International Education Standards (201920XX)~~.

### Effective Date

6. This IES is effective from ~~July 1, 2015~~ July 1, 2026.

### Objective (Ref: Para. A4)

7. The objective of this IES is to establish whether aspiring professional accountants have demonstrated ~~an appropriate~~ the required level of professional competence by the end of IPD in order to perform a role as a professional accountant.

## Requirements

### Formal Assessment of Professional Competence (Ref: Para. A5–A8)

8. IFAC member ~~bodies~~organizations shall formally assess whether aspiring professional accountants have achieved ~~an appropriate~~the required level of professional competence by the end of IPD, drawing on the outcomes of a range of assessment activities of learning outcomes that are undertaken during IPD.

### Principles of Formal Assessment (Ref: Para. A9–A20)

9. IFAC member ~~bodies~~organizations shall be responsible for the design, delivery, and oversight of assessment activities that have high levels of and processes to assess professional competence~~reliability, Validity, equity, transparency, and sufficiency~~ within professional accounting education programs ~~that satisfy the principles of:~~

- reliability
- authenticity
- integrity
- validity
- transparency
- sufficiency
- accessibility
- equity
- inclusion

### Verifiable Evidence (Ref: Para. A21–A22)

10. IFAC member ~~bodies~~organizations shall base the assessment of the professional competence of aspiring professional accountants on verifiable evidence.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–5)

- A1. ~~Professional competence can be described and categorized in many different ways.~~ Within these IESs, professional competence is the ability to perform a role to a ~~defined~~required standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application, including practical experience (as defined in IES 5), of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes as defined in IES 2, IES 3 and IES 4, respectively.
- A2. During IPD, assessment may be ~~undertaken~~designed, delivered, and overseen by a range of stakeholders, including the IFAC member body, employers, regulators, licensing bodies, universities, colleges, and private education providers. Although the assessment of professional competence during IPD is the responsibility of IFAC member ~~bodies~~organizations, other stakeholders may provide substantive input into assessment activities.

- A3. Professional accountants continue to engage in lifelong learning to develop and maintain professional competence relevant to their role during CPD. Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, Continuing Professional Development (~~2014~~2020).

**Objective** (Ref: Para. 7)

- A4. Establishing whether aspiring professional accountants have demonstrated ~~an appropriate~~the required level of professional competence by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Formal Assessment of Professional Competence** (Ref: Para. 8)

- A5. To formally assess whether professional competence has been achieved, the IFAC member body may draw on the outcomes of one or more assessment activities that take place during IPD. The configuration of the formal assessment activities during IPD may vary, and may include, but are not limited to:
- (a) A single multi-disciplinary ~~examination conducted~~assessment delivered by the end of IPD;
  - (b) A series of ~~examinations~~assessments that focus on specific areas of professional competence, ~~conducted~~delivered throughout IPD; or
  - (c) A series of ~~examinations~~and assessments, including workplace assessments ~~conducted, delivered~~ throughout IPD.
- A6. Assessment activities are those activities designed to assess ~~specific areas~~the attainment of professional competence. ~~During learning outcomes~~, IPD, assessment activities can be ~~selected to match the particular aspect of professional competence being assessed~~. ~~Examples of assessment activities~~delivered in different formats. They may include, but are not limited to:
- (a) Written examinations;
  - ~~(b) Oral examinations;~~
  - ~~(c) Objective testing;~~
  - ~~(d) Computer-assisted testing;~~
  - (b) Presentations;
  - (c) Case studies;
  - (d) Simulations;
  - (e) Workplace assessment ~~of competence~~ by employers; and
  - ~~Review of a portfolio~~Portfolio of evidence on completion of workplace activities.
- A7. The types of assessment activities selected and how they are delivered may depend on factors specific to each IFAC member body, which may include, but are not limited to:
- (a) The remoteness and spread of geographical locations where aspiring professional accountants are based;

- (b) Available educational and other resources of the IFAC member body;
  - (c) The number and backgrounds of aspiring professional accountants being assessed; ~~and~~
  - (d) The availability of learning and development opportunities provided by employers; and
  - (e) Regulatory requirements in an IFAC member body's jurisdiction.
- A8. Factors relevant to determining ~~an appropriate level of the~~ required professional competence to be achieved by ~~professional accountants~~ the end of IPD may include, but are not limited to:
- (a) The complexity and variety of tasks undertaken by professional accountants;
  - (b) The expectations of stakeholders (such as the public, employers, and regulators) relating to the nature and extent of professional competence;
  - (c) Specialized knowledge required by professional accountants working in particular industries;
  - (d) The level of professional judgment required to undertake an assignment or complete a task;
  - (e) The varied roles of professional accountants, such as the preparer of financial statements, tax advisor, or management accountant; and
  - (f) The complexity of the working environment.

#### **Principles of Formal Assessment** (Ref: Para. 9)

- A9. Professional accounting education programs are designed and delivered to support aspiring professional accountants to develop the ~~appropriate~~ required professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member ~~bodies~~ organizations, and employers, as well as workplace training. The design, delivery and oversight of the professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member ~~bodies~~ organizations.
- A10. The principles of formal assessment - reliability, authenticity, integrity, validity, transparency, sufficiency, accessibility, equity and inclusion - apply to individual formal assessment activities that are ~~conducted~~ delivered during IPD. ~~However, it may not always be possible to achieve high~~ They apply irrespective of the delivery format. Higher levels of reliability, authenticity, integrity, validity, equity, transparency, and sufficiency for each individual assessment activity, accessibility, equity and inclusion are good practice.
- A11. An assessment activity has a high level of reliability if it consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity has high reliability if the majority of assessors, acting independently, consistently come to the same ~~judgment~~ result, given the same set of circumstances.
- A12. There are many ways that assessment activities can be designed and delivered to increase reliability. For example:
- (a) The reliability of ~~a written examination~~ an assessment may be increased by avoiding the use of ambiguous wording in ~~examination~~ assessment questions or instructions;

- (b) The reliability of an ~~objective test~~assessment may be increased by undertaking an internal or external review of the content of the ~~testing~~assessment before it is finalized; and
  - (c) The reliability of a ~~workplace~~ assessment may be increased by using psychometric modelling;
  - (d) The reliability of an assessment may be increased by selecting appropriate assessors ~~who have comparable high levels of ability~~, having an assessment rubric or marking guide, and by providing ~~them with suitable~~ assessor training; and
  - (e) When using technology to ~~enable them to assess~~ deliver assessments, the ~~task~~ reliability of an assessment may be increased by ensuring the reliability of the assessment technology, including checking the stability and adequacy of the technology and the user interface.
- A13. An assessment activity has a high level of authenticity if it assesses the intended learning outcomes in a way that reflects realistic situations faced by professional accountants. Authentic assessments prepare aspiring professional accountants for the complexity, variety of tasks and how these tasks are undertaken.
- A14. There are many ways that assessment activities can be designed to increase authenticity. For example:
- (a) The authenticity of an assessment may be increased by incorporating the use of commonly-used technologies such as spreadsheets, software packages, and data and visualization tools;
  - (b) The authenticity of an assessment may be increased when it resembles tasks and activities required of a professional accountant, through for example, a simulation; and
  - (c) The authenticity of an assessment may be increased by using relevant and complex case studies which require the application of technical knowledge and the demonstration of professional skills.
- A15. An assessment activity has a high level of integrity when it is designed, delivered and overseen to minimize the potential breaches of assessment security or improper administration of the assessment. Assessments with high integrity increase the confidence of stakeholders that the assessment completed and submitted is that of the aspiring professional accountant.
- A16. There are many ways that assessment activities can be designed, delivered, and overseen to increase integrity. For example:
- (a) The integrity of assessment activities may be increased when the assessments are authentic;
  - (b) The integrity of assessment activities may be increased using invigilated assessments, including technology assisted invigilation;
  - (c) The integrity of assessment activities may be increased by securing examination content so that it remains confidential;
  - (d) The integrity of assessment activities may be increased by synchronous scheduling of examinations to avoid content sharing;
  - (e) The integrity of assessment activities may be increased by using appropriate technology to check originality of assessment answers;

(f) The integrity of assessment activities may be increased by clear policy statements related to assessment integrity; and

(g) The integrity of assessment activities may be increased by educating candidates about policies and penalties for integrity breaches.

~~A13.A17.~~ An assessment activity has a high level of validity if it ~~measures what it was~~ assesses the intended to measure learning outcomes. Validity is not an absolute measure, and different assessment activities may have different levels of validity. ~~Validity has multiple forms and includes the following:~~

~~(a) Face validity—An assessment activity has high face validity if the assessment activity is perceived to measure what it is intended to measure;~~

~~(b) Predictive validity—An assessment activity has high predictive validity if the content of the assessment activity relates to the particular aspect of professional competence that it is intended to assess; and~~

~~(c) Content validity—An assessment activity has high content validity if the assessment activity provides adequate coverage of the particular aspect of professional competence being assessed.~~

~~A14.A18.~~ There are many ways to design assessment activities to increase validity. For example:

(a) ~~Face validity~~ Validity may be increased when assessing the ~~competence~~ learning outcomes of aspiring professional accountants to apply a particular accounting standard, if an examination includes a comprehensive and relevant case study rather than a simple case study based on incomplete information;

(b) ~~Predictive validity~~ Validity may be increased ~~for~~ when assessing ~~competence in~~ learning outcomes for leadership, by relying on a workplace assessment of how well an aspiring professional accountant leads a team rather than relying on the outcomes of a written examination; and

(c) ~~Content validity~~ Validity may be increased if an ~~examination~~ assessment activity covers more, rather than a few, aspects of the particular area of professional competence being assessed.

~~A15.~~ An assessment activity has a high level of equity if it is fair and without bias. ~~Equity is not an absolute measure, and different assessment activities may differ in their level of equity. Equity can be improved when those who design assessment activities are aware of the possibility of bias.~~

~~A16.A1.~~ There are many ways to design assessment activities to increase equity. ~~For example:~~

(a) ~~Equity may be increased by ensuring that assessment activities rely only on computer-based technologies that are available to all aspiring professional accountants; and~~

(b) ~~Equity may be increased by reviewing examination papers to remove assumptions relating to cultural knowledge that are not commonly shared by all aspiring professional accountants.~~

~~A17.A19.~~ An assessment activity has a high level of transparency when details of an assessment activity, such as the competence areas and learning outcomes to be assessed and timing of the activity, are disclosed publicly. A high level of transparency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Transparency is not an absolute measure, and different assessment activities may differ in their levels of transparency.

Clear and accessible communications to stakeholders may lead to achieving a high level of transparency.

~~A18.~~A20. \_\_\_\_\_ There are many ways to increase the transparency of assessment activities. For example:

- (a) In relation to the entirety of assessment activities that are undertaken during IPD, transparency may be increased by making publicly available a statement that explains the areas of professional competence to be assessed, the types of assessment activities included, and the timing of those assessment activities during IPD;
- (b) Transparency may be increased in ~~a workplace~~an assessment when ~~employers communicate to employees~~a clearly defined competency framework, against which the employees' competence will be assessed, ~~is clearly communicated~~; and
- (c) Transparency ~~in the setting and conduct of an examination~~may be increased by making information relating to the development, ~~scoring~~grade distribution, and management of the ~~examination~~assessment publicly available.

~~A19.~~A21. \_\_\_\_\_ An assessment activity has a high level of sufficiency if it (a) has a balance of depth and breadth, knowledge, and application, and (b) combines material from different areas applied to a range of situations and contexts. A high level of sufficiency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Sufficiency is not an absolute measure, and different assessment activities may differ in their levels of sufficiency.

~~A20.~~A22. \_\_\_\_\_ There are many ways to design assessment activities to increase sufficiency. For example:

- (a) Sufficiency may be increased across IPD by including assessment activities that assess the required learning outcomes for technical competence, professional skills, and professional values, ethics, and attitudes (breadth) at the ~~appropriate~~required level of detail (depth); and
- (b) Sufficiency in relation to a workplace assessment may be increased by requiring aspiring professional accountants to demonstrate professional competence across a wide range of professional skills, and professional values, ethics, and attitudes that are applied to many different situations.

~~A23.~~ \_\_\_\_\_ An assessment activity has a high level of accessibility, equity and inclusion if it provides all individuals the opportunity to demonstrate the achievement of learning outcomes, is fair and without bias, and when it is designed and delivered to be meaningful, relevant and accessible to all. Accessible, equitable, and inclusive assessment activities meet the requirements of learners with additional educational needs, and do not pose barriers for aspiring professional accountants, based on unique and differing cultures or values. Accessibility, equity and inclusion are not an absolute measure, and different assessment activities may differ in their level of accessibility, equity and inclusion. Accessibility, equity and inclusion may be improved when those who design, deliver and oversee assessment activities are aware of the possibility of misinterpretation, bias and barriers to access.

~~A24.~~ \_\_\_\_\_ There are many ways to design assessment activities to increase accessibility, equity and inclusion. For example:

- (a) Accessibility, equity and inclusion may be increased when there is confidence that all aspiring professional accountants in a jurisdiction have access to technology that is relied upon for assessment activities.



- (b) Accessibility, equity and inclusion may be increased by reviewing assessment activities to ensure that they are respectful to linguistically and culturally diverse experiences and backgrounds of aspiring professional accountants.
- (c) Accessibility, equity and inclusion may be increased when assessment requirements are clear and there is opportunity for further clarification.
- (d) Accessibility, equity and inclusion may be increased by making appropriate adjustments to accommodate aspiring professional accountants with additional educational needs.

**Verifiable Evidence** (Ref: Para. 10)

~~A21.~~A25. Verifiable evidence is evidence that is objective, and capable of being proven and retained. Basing the assessment of ~~professional competence~~learning outcomes on verifiable evidence may satisfy the needs of third parties who oversee or regulate an IFAC member body. It will also increase the confidence of stakeholders that aspiring professional accountants have achieved the ~~appropriate~~required level of professional competence by the end of IPD.

~~A22.~~A26. Examples of verifiable evidence include:

- (a) ~~Certificates~~Validated certificates of successful course completion; or course transcripts;
- (b) Recorded outcomes of successful achievement in ~~examinations~~assessments; and
- (c) A record of achievement provided by employers on competence achieved by aspiring professional accountants.

**Appendix B: IES 6 Extract – Clean**

**INTERNATIONAL EDUCATION STANDARD 6,  
INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF  
PROFESSIONAL COMPETENCE (2024)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. This International Education Standard (IES) prescribes the requirements for the assessment of the professional competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have a responsibility to assess whether aspiring professional accountants have achieved the required level of professional competence by the end of IPD. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Within the IESs, assessment is the evaluation of professional competence. It involves assessing learning outcomes to have confidence that an aspiring professional accountant has demonstrated the required level of professional competence by the end of IPD to perform a role as a professional accountant.
4. This IES specifies requirements for the assessment of professional competence, while:
  - IES 2, *Initial Professional Development – Technical Competence* (20XX), IES 3, *Initial Professional Development – Professional Skills* (20XX), and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (20XX), specify assessment requirements relevant to their areas of focus within IPD; and
  - IES 5, *Initial Professional Development – Practical Experience* (2015), specifies requirements for the assessment of practical experience.
5. Definitions and explanations of the key terms used in the IES and the *Framework for Professional Accountants and Aspiring Professional Accountants* (2019) are set out in the *Glossary of Terms for International Education Standards* (20XX).

### Effective Date

6. This IES is effective from July 1, 2026.

### Objective (Ref: Para. A4)

7. The objective of this IES is to establish whether aspiring professional accountants have demonstrated the required level of professional competence by the end of IPD in order to perform a role as a professional accountant.

## Requirements

### Formal Assessment of Professional Competence (Ref: Para. A5–A8)

8. IFAC member organizations shall formally assess whether aspiring professional accountants have achieved the required level of professional competence by the end of IPD, drawing on the outcomes of a range of assessment activities of learning outcomes that are undertaken during IPD.

**Principles of Formal Assessment** (Ref: Para. A9–A20)

9. IFAC member organizations shall be responsible for the design, delivery, and oversight of assessment activities and processes to assess professional competence within professional accounting education programs that satisfy the principles of:

- reliability
- authenticity
- integrity
- validity
- transparency
- sufficiency
- accessibility
- equity
- inclusion

**Verifiable Evidence** (Ref: Para. A21–A22)

10. IFAC member organizations shall base the assessment of the professional competence of aspiring professional accountants on verifiable evidence.

**Explanatory Material**

**Scope of this Standard** (Ref: Para. 1–5)

- A1. Within these IESs, professional competence is the ability to perform a role to a required standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application, including practical experience (as defined in IES 5), of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes as defined in IES 2, IES 3 and IES 4, respectively.
- A2. During IPD, assessment may be designed, delivered, and overseen by a range of stakeholders, including the IFAC member body, employers, regulators, licensing bodies, universities, colleges, and private education providers. Although the assessment of professional competence during IPD is the responsibility of IFAC member organizations, other stakeholders may provide substantive input into assessment activities.
- A3. Professional accountants continue to engage in lifelong learning to develop and maintain professional competence relevant to their role during CPD. Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, Continuing Professional Development (2020).

**Objective** (Ref: Para. 7)

- A4. Establishing whether aspiring professional accountants have demonstrated the required level of professional competence by the end of IPD serves several purposes. It protects the public interest,

enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Formal Assessment of Professional Competence** (Ref: Para. 8)

- A5. To formally assess whether professional competence has been achieved, the IFAC member body may draw on the outcomes of one or more assessment activities that take place during IPD. The configuration of the formal assessment activities during IPD may vary, and may include, but are not limited to:
- (a) A single multi-disciplinary assessment delivered by the end of IPD;
  - (b) A series of assessments that focus on specific areas of professional competence, delivered throughout IPD; or
  - (c) A series of assessments, including workplace assessments, delivered throughout IPD.
- A6. Assessment activities are those activities designed to assess the attainment of learning outcomes. IPD assessment activities can be delivered in different formats. They may include, but are not limited to:
- (a) Written examinations;
  - (b) Presentations;
  - (c) Case studies;
  - (d) Simulations;
  - (e) Workplace assessment by employers; and
  - (f) Portfolio of evidence on completion of workplace activities.
- A7. The types of assessment activities selected and how they are delivered may depend on factors specific to each IFAC member body, which may include, but are not limited to:
- (a) The remoteness and spread of geographical locations where aspiring professional accountants are based;
  - (b) Available educational and other resources of the IFAC member body;
  - (c) The number and backgrounds of aspiring professional accountants being assessed;
  - (d) The availability of learning and development opportunities provided by employers; and
  - (e) Regulatory requirements in an IFAC member body's jurisdiction.
- A8. Factors relevant to determining the required professional competence to be achieved by the end of IPD may include, but are not limited to:
- (a) The complexity and variety of tasks undertaken by professional accountants;
  - (b) The expectations of stakeholders (such as the public, employers, and regulators) relating to the nature and extent of professional competence;
  - (c) Specialized knowledge required by professional accountants working in particular industries;
  - (d) The level of professional judgment required to undertake an assignment or complete a task;

- (e) The varied roles of professional accountants, such as the preparer of financial statements, tax advisor, or management accountant; and
- (f) The complexity of the working environment.

**Principles of Formal Assessment** (Ref: Para. 9)

- A9. Professional accounting education programs are designed and delivered to support aspiring professional accountants to develop the required professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member organizations, and employers, as well as workplace training. The design, delivery and oversight of the professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member organizations.
- A10. The principles of formal assessment - reliability, authenticity, integrity, validity, transparency, sufficiency, accessibility, equity and inclusion - apply to individual formal assessment activities that are delivered during IPD. They apply irrespective of the delivery format. Higher levels of reliability, authenticity, integrity, validity, transparency, sufficiency, accessibility, equity and inclusion are good practice.
- A11. An assessment activity has a high level of reliability if it consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity has high reliability if the majority of assessors, acting independently, consistently come to the same result, given the same set of circumstances.
- A12. There are many ways that assessment activities can be designed and delivered to increase reliability. For example:
- (a) The reliability of an assessment may be increased by avoiding the use of ambiguous wording in assessment questions or instructions;
  - (b) The reliability of an assessment may be increased by undertaking an internal or external review of the content of the assessment before it is finalized;
  - (c) The reliability of an assessment may be increased by using psychometric modelling;
  - (d) The reliability of an assessment may be increased by selecting appropriate assessors, having an assessment rubric or marking guide, and by providing assessor training; and
  - (e) When using technology to deliver assessments, the reliability of an assessment may be increased by ensuring the reliability of the assessment technology, including checking the stability and adequacy of the technology and the user interface.
- A13. An assessment activity has a high level of authenticity if it assesses the intended learning outcomes in a way that reflects realistic situations faced by professional accountants. Authentic assessments prepare aspiring professional accountants for the complexity, variety of tasks and how these tasks are undertaken.
- A14. There are many ways that assessment activities can be designed to increase authenticity. For example:

- (a) The authenticity of an assessment may be increased by incorporating the use of commonly-used technologies such as spreadsheets, software packages, and data and visualization tools;
  - (b) The authenticity of an assessment may be increased when it resembles tasks and activities required of a professional accountant, through for example, a simulation; and
  - (c) The authenticity of an assessment may be increased by using relevant and complex case studies which require the application of technical knowledge and the demonstration of professional skills.
- A15. An assessment activity has a high level of integrity when it is designed, delivered and overseen to minimize the potential breaches of assessment security or improper administration of the assessment. Assessments with high integrity increase the confidence of stakeholders that the assessment completed and submitted is that of the aspiring professional accountant.
- A16. There are many ways that assessment activities can be designed, delivered, and overseen to increase integrity. For example:
- (a) The integrity of assessment activities may be increased when the assessments are authentic;
  - (b) The integrity of assessment activities may be increased using invigilated assessments, including technology assisted invigilation;
  - (c) The integrity of assessment activities may be increased by securing examination content so that it remains confidential;
  - (d) The integrity of assessment activities may be increased by synchronous scheduling of examinations to avoid content sharing;
  - (e) The integrity of assessment activities may be increased by using appropriate technology to check originality of assessment answers;
  - (f) The integrity of assessment activities may be increased by clear policy statements related to assessment integrity; and
  - (g) The integrity of assessment activities may be increased by educating candidates about policies and penalties for integrity breaches.
- A17. An assessment activity has a high level of validity if it assesses the intended learning outcomes. Validity is not an absolute measure, and different assessment activities may have different levels of validity.
- A18. There are many ways to design assessment activities to increase validity. For example:
- (a) Validity may be increased when assessing the learning outcomes of aspiring professional accountants to apply a particular accounting standard, if an examination includes a comprehensive and relevant case study rather than a simple case study based on incomplete information;
  - (b) Validity may be increased when assessing learning outcomes for leadership, by relying on a workplace assessment of how well an aspiring professional accountant leads a team rather than relying on the outcomes of a written examination; and

- (c) Validity may be increased if an assessment activity covers more, rather than a few, aspects of the particular area of professional competence being assessed.
- A19. An assessment activity has a high level of transparency when details of an assessment activity, such as the competence areas and learning outcomes to be assessed and timing of the activity, are disclosed publicly. A high level of transparency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Transparency is not an absolute measure, and different assessment activities may differ in their levels of transparency. Clear and accessible communications to stakeholders may lead to achieving a high level of transparency.
- A20. There are many ways to increase the transparency of assessment activities. For example:
- (a) In relation to the entirety of assessment activities that are undertaken during IPD, transparency may be increased by making publicly available a statement that explains the areas of professional competence to be assessed, the types of assessment activities included, and the timing of those assessment activities during IPD;
  - (b) Transparency may be increased in an assessment when a clearly defined competency framework, against which the competence will be assessed, is clearly communicated; and
  - (c) Transparency may be increased by making information relating to the development, grade distribution, and management of the assessment publicly available.
- A21. An assessment activity has a high level of sufficiency if it (a) has a balance of depth and breadth, knowledge, and application, and (b) combines material from different areas applied to a range of situations and contexts. A high level of sufficiency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Sufficiency is not an absolute measure, and different assessment activities may differ in their levels of sufficiency.
- A22. There are many ways to design assessment activities to increase sufficiency. For example:
- (a) Sufficiency may be increased across IPD by including assessment activities that assess the required learning outcomes for technical competence, professional skills, and professional values, ethics, and attitudes (breadth) at the required level of detail (depth); and
  - (b) Sufficiency in relation to a workplace assessment may be increased by requiring aspiring professional accountants to demonstrate professional competence across a wide range of professional skills, and professional values, ethics, and attitudes that are applied to many different situations.
- A23. An assessment activity has a high level of accessibility, equity and inclusion if it provides all individuals the opportunity to demonstrate the achievement of learning outcomes, is fair and without bias, and when it is designed and delivered to be meaningful, relevant and accessible to all. Accessible, equitable, and inclusive assessment activities meet the requirements of learners with additional educational needs, and do not pose barriers for aspiring professional accountants, based on unique and differing cultures or values. Accessibility, equity and inclusion are not an absolute measure, and different assessment activities may differ in their level of accessibility, equity and inclusion. Accessibility, equity and inclusion may be improved when those who design, deliver and oversee assessment activities are aware of the possibility of misinterpretation, bias and barriers to access.



- A24. There are many ways to design assessment activities to increase accessibility, equity and inclusion. For example:
- (a) Accessibility, equity and inclusion may be increased when there is confidence that all aspiring professional accountants in a jurisdiction have access to technology that is relied upon for assessment activities.
  - (b) Accessibility, equity and inclusion may be increased by reviewing assessment activities to ensure that they are respectful to linguistically and culturally diverse experiences and backgrounds of aspiring professional accountants.
  - (c) Accessibility, equity and inclusion may be increased when assessment requirements are clear and there is opportunity for further clarification.
  - (d) Accessibility, equity and inclusion may be increased by making appropriate adjustments to accommodate aspiring professional accountants with additional educational needs.

**Verifiable Evidence** (Ref: Para. 10)

- A25. Verifiable evidence is evidence that is objective, and capable of being proven and retained. Basing the assessment of learning outcomes on verifiable evidence may satisfy the needs of third parties who oversee or regulate an IFAC member body. It will also increase the confidence of stakeholders that aspiring professional accountants have achieved the required level of professional competence by the end of IPD.
- A26. Examples of verifiable evidence include:
- (a) Validated certificates of successful course completion or course transcripts;
  - (b) Recorded outcomes of successful achievement in assessments; and
  - (c) A record of achievement provided by employers on competence achieved by aspiring professional accountants.

**Appendix C: Conforming Amendments – Markup**

**INTERNATIONAL EDUCATION STANDARD 1,  
ENTRY REQUIREMENTS TO PROFESSIONAL ACCOUNTING  
EDUCATION PROGRAMS (2014)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. International Education Standard (IES) 1 prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs, while requirements relating to entry to the profession are covered by:
  - (a) IES 2, *Initial Professional Development – Technical Competence* (2021),
  - (b) IES 3, *Initial Professional Development – Professional Skills* (2021),
  - (c) IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021),
  - (d) IES 5, *Initial Professional Development – Practical Experience* (2015), and
  - (e) IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015~~20XX~~).
2. IES 1 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~organizations. IFAC member ~~bodies~~organizations have responsibility for setting and communicating entry requirements for professional accounting education programs. In addition, this IES 1 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who deliver and support delivery of professional accounting education programs.
3. IES 1 explains the principle of allowing flexible access to professional accounting education programs under the auspices of an IFAC member ~~body~~organization, while ensuring that aspiring professional accountants have a reasonable chance of successful completion of professional accounting education programs. This IES 1 explains (a) reasonable chance of successful completion, (b) the suitability of entry requirements, and (c) different forms of entry requirements.
4. IES 1 recognizes that entry requirements may vary by jurisdiction, due to different pathways through professional accounting education programs, and (b) differences between various jurisdictions in governance and regulatory arrangements. This IES 1 also recognizes that completion of a full, professional qualification is just one of a range of exit points from a professional accounting education program.
5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *International Education Standards Glossary of Terms* (2021).

### Effective Date

6. IES 1 is effective from July 1, 2014.

### Objective (Ref: Para. A4–A6)

7. The objective of this IES 1 is to establish educational entry requirements to professional accounting education programs that are fair, proportionate, and protect the public interest.

### Requirements (Ref: Para. A7–A12)

8. IFAC member ~~bodies~~organizations shall specify educational entry requirements for professional accounting education programs that will allow entrance only to those with a reasonable chance of

successfully completing the professional accounting education program, while not representing excessive barriers to entry.

9. IFAC member bodies/organizations shall explain the rationale for the principles to be used when setting educational entry requirements to stakeholders, including relevant education providers and individuals considering a career as a professional accountant.
10. IFAC member bodies/organizations shall make relevant information publicly available to help individuals assess their own chances of successfully completing a professional accounting education program.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–5)

- A1. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of Initial Professional Development (IPD). They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies/organizations, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies/organizations.
- A2. IFAC member bodies/organizations have varying levels of control over entry requirements to professional accounting education programs. For example, in some jurisdictions entry requirements may be set by universities or governments. There are various pathways into the accountancy profession. For example, (a) traditional degree level entry, (b) gaining experience by working in industry, and (c) entry from the secondary education level. Moreover, different jurisdictions and IFAC member bodies/organizations will have different labor market challenges.
- A3. There are a number of steps an IFAC member body/organization may take to seek to meet its membership obligations. For example, this might be illustrated by a situation where a university rather than the IFAC member body/organization sets entry requirements to a professional accounting education program. Here, the IFAC member body/organization might work with the university to explain the purpose of the IES, and communicate that compliance with its requirements would enable students more easily to be considered for membership in the IFAC member body/organization.

### Objective (Ref: Para. 7)

- A4. All IESs are designed to protect the public interest. This IES 1 does this by dealing with entry requirements to professional accounting education programs, which are important to help individuals considering a career as a professional accountant make informed decisions about their education choices. These entry requirements also provide that access to professional accounting education programs is limited to those likely to succeed. Entry to the accountancy profession is safeguarded by IESs 2, 3, 4, 5, and 6, which cover technical competence, professional skills, professional values, ethics, and attitudes, practical experience, and assessment, and which are designed to ensure that members of the accountancy profession achieve an appropriate required level of professional competence.

- A5. This IES 1 serves the public interest by addressing issues relating to the provision of sufficient numbers of high-quality aspiring professional accountants. It does this by setting out principles for entry requirements for professional accounting education programs that are neither too high (causing unnecessary barriers to entry to the profession), nor too low (causing individuals to believe falsely they have a likelihood of completing the education successfully). Such entry requirements may help with the efficient use of resources and assist individuals considering a career as a professional accountant to make informed career decisions.
- A6. IFAC member ~~bodies~~organizations can contribute to efficient and effective career decisions by informing individuals considering a career as a professional accountant of the technical competence, professional skills, and professional values, ethics, and attitudes expected of those successfully completing professional accounting education programs. Individuals are only able to make informed decisions when provided with the necessary information. IFAC member ~~bodies~~organizations may collect and analyze the data on an ongoing basis so that advice to individuals considering a career as a professional accountant can be based on reliable information. The information to be provided by IFAC member ~~bodies~~organizations may cover:
- (a) Varying entry points to professional accounting education programs;
  - (b) Encouraging individuals considering a career as a professional accountant to commence a professional accounting education program only when they have considered their chances of successful completion;
  - (c) Pass rates relating to the qualification;
  - (d) Transparent information regarding the expectations and costs associated with professional accounting education programs; and
  - (e) Self-diagnostic tools such as competency maps setting out the skills, knowledge, and attitudes to be acquired on successful completion of the professional accounting education program.

**Requirements** (Ref: Para. 8–10)

- A7. Determining a reasonable chance of successful completion is a matter of judgment, depending on number of factors. The intention is to (a) help individuals considering a career as professional accountant be as fully informed as possible when deciding to embark on professional accounting education programs, and to (b) encourage those providing professional accounting education programs to share as much helpful and relevant information as possible. The phrase may be understood differently by each IFAC member ~~body~~organization as regards different professional accounting education programs. IFAC member ~~bodies~~organizations may set out the key factors for reasonable chance of successful completion, such that the entry requirements for any professional accounting education program provide individuals considering a career as a professional accountant with the necessary foundations to enable them to develop the required competence of a professional accountant. This may involve taking into account factors such as (a) the economic, business, and regulatory environment, (b) the prerequisite knowledge required, (c) the expected learning to be acquired, (d) the role of the accountant, and (e) any other relevant factors.
- A8. The entry requirements may be justified with reference to the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes needed to successfully complete a professional accounting education program. This does not preclude requiring a

university degree, or the qualifications needed to commence a university degree. When setting entry requirements, the IFAC member ~~body~~organization may consider whether they are appropriate in each case, and are neither excessive nor trivial. An excessive barrier to entry may include prescribing specific subject qualifications from certain institutions, or a minimum length of specific work experience. The purpose of avoiding such excessive barriers is to allow flexibility of access to professional accounting education programs, not to dilute standards either of professional accounting education programs themselves or of the accountancy profession. Rather, there is a range of entry and exit routes for professional accounting education programs, and different ways of achieving IPD.

- A9. IFAC member ~~body~~organizations may adopt different entry requirements, because professional accounting education programs vary by jurisdiction and type. For example, some professional accounting education programs may have as entry requirements only a good level of numeracy and literacy. Conversely, the entry requirements of professional accounting education programs for certain specialized roles may specify that an individual must hold a university degree or equivalent.
- A10. Aspiring professional accountants may have developed their (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes through various pathways, including work experience, study, or qualifications. The flexibility of pathways to professional accounting education programs in no way dilutes the rigor of that education, nor of the standards required of aspiring professional accountants to complete IPD. IFAC member ~~body~~organizations may reflect these different pathways by adopting flexible entry requirements that accommodate all those with a reasonable chance of successfully completing a professional accounting education program. The purpose of this flexibility is to allow broad access to professional accounting education programs; it is not intended to create different categories of professional accountant. An example of this flexibility can be found where an IFAC member ~~body~~organization specifies a prequalification entry requirement (e.g., a university degree or equivalent), but allows direct entrance to its professional accounting education program for those without a university degree if they have, for example, a period of relevant practical experience.
- A11. An IFAC member ~~body~~organization may prescribe specific criteria used to determine that individuals meet the entry requirements to a professional accounting education program. These may include qualifications, courses, entry tests, or experience. Entry requirements may include the assessment of one (or a combination) of qualifications, experience, or other requirements deemed appropriate by the IFAC member ~~body~~organization. This information could be made widely available by, for example, publishing it in the brochures for professional accounting education programs; or by including it on the website of the IFAC member ~~body~~organization.
- A12. IFAC member ~~body~~organizations can help individuals considering a career as a professional accountant consider their chances of successfully completing a professional accounting education program by encouraging them to consider the content covered, its level, and methods of assessment of the program.

## INTERNATIONAL EDUCATION STANDARD 2, INITIAL PROFESSIONAL DEVELOPMENT – TECHNICAL COMPETENCE (2021)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A6)

1. This International Education Standard (IES) 2 prescribes the learning outcomes for technical competence that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.
2. This IES 2 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~organizations. IFAC member ~~bodies~~organizations have responsibility for ensuring that IPD meets the requirements of this IES 2. In addition, this IES 2 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. This IES 2 specifies the competence areas and learning outcomes that describe the technical competence required of aspiring professional accountants by the end of IPD. IES 3, *Initial Professional Development – Professional Skills (2021)*, and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes (2021)*, specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants (2015)* are set out in the *International Education Standards Glossary of Terms (2021)*.

### Effective Date

5. IES 2 is effective from January 1, 2021.

### Objective (Ref: Para. A7)

6. The objective of IES 2 is to establish the technical competence that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Technical Competence (Ref: Para. A8–A12)

7. IFAC member ~~bodies~~organizations shall prescribe the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.



**Table A: Learning Outcomes for Technical Competence**

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(a) Financial accounting and reporting (Intermediate)	(i) Apply accounting principles to transactions and other events.
	(ii) Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.
	(iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.
	(iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.
	(v) Interpret financial statements and related disclosures.
	(vi) Interpret reports that include non-financial data and information.
(b) Management accounting (Intermediate)	(i) Prepare data and information to support management decision making on topics including planning and budgeting, cost management, quality control, performance measurement, and comparative analysis.
	(ii) Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.
	(iii) Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.
	(iv) Analyze data and information to support management decision making.
	(v) Evaluate the performance of products and business segments.
(c) Finance and financial management (Intermediate)	(i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.
	(ii) Analyze an organization's cash flow and working capital requirements.
	(iii) Analyze the current and future financial position of an organization, using techniques including ratio analysis, trend analysis, and cash flow analysis.
	(iv) Evaluate the appropriateness of the components used to calculate an organization's cost of capital.

<sup>1</sup>. The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	<p>(v) Apply capital budgeting techniques in the evaluation of capital investment decisions.</p> <p>(vi) Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management.</p>
(d) Taxation (Intermediate)	<p>(i) Explain national taxation compliance and filing requirements.</p> <p>(ii) Prepare direct and indirect tax calculations for individuals and organizations.</p> <p>(iii) Analyze the taxation issues associated with non- complex international transactions.</p> <p>(iv) Explain the differences between tax planning, tax avoidance, and tax evasion.</p>
(e) Audit and assurance (Intermediate)	<p>(i) Describe the objectives and phases involved in performing an audit of financial statements.</p> <p>(ii) Apply International Standards on Auditing or other relevant auditing standards, laws, and regulations applicable to an audit of financial statements.</p> <p>(iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.</p> <p>(iv) Apply quantitative methods that are used in audit engagements.</p> <p>(v) Identify relevant audit evidence, including contradictory evidence, to inform judgments, make decisions, and reach well-reasoned conclusions.</p> <p>(vi) Conclude whether sufficient and appropriate audit evidence has been obtained.</p> <p>(vii) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.</p>
(f) Governance, risk management and internal control (Intermediate)	<p>(i) Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and the role of stakeholders in governance, disclosure, and transparency requirements.</p> <p>(ii) Analyze the components of an organization’s governance framework.</p> <p>(iii) Analyze an organization’s risks and opportunities using a risk management framework.</p>

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(iv) Analyze the components of internal control related to financial reporting.
	(v) Analyze the adequacy of systems, processes and controls for collecting, generating, storing, accessing, using, or sharing data and information.
(g) Business laws and regulations (Intermediate)	(i) Explain the laws and regulations that govern the different forms of legal entities.
	(ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.
	(iii) Apply data protection and privacy regulations when collecting, generating, storing, accessing, using, or sharing data and information.
(h) Information and communications technologies (Intermediate)	(i) Explain the impact of Information and Communications Technologies (ICT) developments on an organization's environment and business model.
	(ii) Explain how ICT supports data analysis and decision making.
	(iii) Explain how ICT supports the identification, reporting, and management of risk in an organization.
	(iv) Use ICT to analyze data and information.
	(v) Use ICT to enhance the efficiency and effectiveness of communication.
	(vi) Apply ICT to enhance the efficiency and effectiveness of an organization's systems.
	(vii) Analyze the adequacy of ICT processes and controls.
	(viii) Identify improvements to ICT processes and controls.
(i) Business and organizational environment (Intermediate)	(i) Describe the environment in which an organization operates, including the primary economic, legal, regulatory, political, technological, social, and cultural aspects.
	(ii) Analyze aspects of the global environment that affect international trade and finance.
	(iii) Identify the features of globalization, including the role of multinationals and emerging markets.
(j) Economics (Foundation)	(i) Describe the fundamental principles of microeconomics and macroeconomics.
	(ii) Describe the effect of changes in macroeconomic indicators on business activity.

Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
	(iii) Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly.
(k) Business strategy and management (Intermediate)	(i) Explain the various ways that organizations may be designed and structured.
	(ii) Explain the purpose and importance of different types of functional and operational areas within organizations.
	(iii) Analyze the external and internal factors that may influence the strategy of an organization.
	(iv) Explain the processes that may be used to develop and implement the strategy of an organization.
	(v) Explain how theories of organizational behavior may be used to enhance the performance of the individual, team, and the organization.

#### Review of Professional Accounting Education Programs (Ref: Para. A13–A14)

8. IFAC member ~~bodies~~organizations shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in IES 2.

#### Formal Assessment of Technical Competence (Ref: Para. A15–A16)

9. IFAC member ~~bodies~~organizations shall ~~establish appropriate~~be responsible for the design, delivery, and oversight of assessment activities and processes to assess the technical competence of aspiring professional accountants.

### Explanatory Material

#### Scope of this Standard (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member ~~body~~organization may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.

- A3. The inclusion of technical competence in IPD lays the base for performing a role as a professional accountant. Further development of technical competence is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2020).
- A4. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A5. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include financial accounting and reporting, taxation, and economics; competence areas within professional skills include intellectual and organizational; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A6. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

**Objective** (Ref: Para. 6)

- A7. Establishing the technical competence that aspiring professional accountants need to develop and demonstrate, serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Learning Outcomes for Technical Competence** (Ref: Para. 7)

- A8. Table A lists the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or taxation specialist.
- A9. In the design of professional accounting education programs, the 11 competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area may be achieved across more than one course or subject dedicated to that area. For example, the learning outcomes for financial accounting and reporting may be achieved across two or more financial accounting and reporting courses or subjects. The achievement of some learning outcomes may extend across several different courses or subjects, none of which may be devoted solely to that competence area. For example, the learning outcomes within information and communications technologies may be achieved through the integration of relevant material within courses that focus on management accounting and/ or auditing and assurance. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A. For example, economics is listed towards the end of the list of competence areas in Table A but may be covered fairly early in a professional accounting education program.
- A10. There are many ways to describe and classify levels of proficiency. The description developed for purposes of the IES is provided in Appendix 1, Description of Levels of Proficiency.

- A11. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member ~~bodies~~organizations design their professional accounting education programs.
- A12. In professional accounting education programs, an IFAC member ~~body~~organization may (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in IES 2. This may occur when an IFAC member ~~body~~organization prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

**Review of Professional Accounting Education Programs** (Ref: Para. 8)

- A13. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member ~~bodies~~organizations, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member ~~bodies~~organizations.
- A14. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Formal Assessment of Technical Competence** (Ref: Para. 9)

- A15. IES 6, *Initial Professional Development – Assessment of Professional Competence (201520XX)*, provides the principles that apply to the design, delivery, and oversight of assessment activities used to assess the technical competence and other elements of professional competence.
- A16. Various assessment activities can be used to assess the technical competence of aspiring professional accountants. ~~Appropriate assessment~~Assessment activities may include: (a) written examinations ~~consisting of questions requiring short answers~~, (b) presentations, (c) case studies, (e) ~~written essays~~, (d) ~~objective testings~~simulations, (e) workplace assessments by employers, and (f) a portfolio of evidence on completion of workplace activities. IFAC member organizations may award exemptions from aspects of IPD based on the evaluation of prior learning leading to the awarding of exemptions from aspects of IPD.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB's use of learning outcomes in its publications such as International Education Standards (IESs) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies/organizations design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> </ul>

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>



**INTERNATIONAL EDUCATION STANDARD 3,  
INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS  
(2021)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A7)

1. International Education Standard (IES) 3 prescribes the learning outcomes for professional skills that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.
2. IES 3 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~organizations. IFAC member ~~bodies~~organizations have responsibility for ensuring that IPD meets the requirements of IES 3. In addition, IES 3 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. IES 3 specifies the competence areas and learning outcomes that describe the professional skills required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2021), and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *International Education Standards Glossary of Terms* (2021).

### Effective Date

5. IES 3 is effective from January 1, 2021.

### Objective (Ref: Para. A8)

6. The objective of IES 3 is to establish the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Professional Skills (Ref: Para. A9–A14)

7. IFAC member ~~bodies~~organizations shall prescribe the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Professional Skills**

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(a) Intellectual (Intermediate)	<ul style="list-style-type: none"> <li data-bbox="537 359 1427 436">(i) Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.</li> <li data-bbox="537 441 1427 518">(ii) Apply critical thinking skills to solve problems, inform judgments, make decisions, and reach well-reasoned conclusions.</li> <li data-bbox="537 522 1427 583">(iii) Identify when it is appropriate to consult with specialists.</li> <li data-bbox="537 588 1427 630">(iv) Recommend solutions to unstructured, multi- faceted problems.</li> <li data-bbox="537 634 1427 751">(v) Respond effectively to changing circumstances or new information to solve problems, inform judgments, make decisions, and reach well- reasoned conclusions.</li> </ul>
(b) Interpersonal and communication (Intermediate)	<ul style="list-style-type: none"> <li data-bbox="537 779 1427 856">(i) Demonstrate collaboration, cooperation, and teamwork when working towards organizational goals.</li> <li data-bbox="537 861 1427 938">(ii) Communicate clearly and concisely when presenting, discussing, and reporting in formal and informal situations.</li> <li data-bbox="537 942 1427 1035">(iii) Demonstrate awareness of cultural and language differences in all communication.</li> <li data-bbox="537 1039 1427 1081">(iv) Apply active listening and effective interviewing techniques.</li> <li data-bbox="537 1085 1427 1127">(v) Apply negotiation skills to reach solutions and agreements.</li> <li data-bbox="537 1131 1427 1224">(vi) Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.</li> <li data-bbox="537 1228 1427 1306">(vii) Present ideas and influence others to provide support and commitment.</li> </ul>
(c) Personal (Intermediate)	<ul style="list-style-type: none"> <li data-bbox="537 1346 1427 1388">(i) Demonstrate a commitment to lifelong learning.</li> <li data-bbox="537 1392 1427 1470">(ii) Set high personal standards of performance and monitor through reflective activity and feedback from others.</li> <li data-bbox="537 1474 1427 1516">(iii) Manage time and resources to achieve professional commitments.</li> <li data-bbox="537 1520 1427 1562">(iv) Anticipate challenges and plan potential solutions.</li> <li data-bbox="537 1566 1427 1608">(v) Apply an open mind to new opportunities.</li> <li data-bbox="537 1612 1427 1654">(vi) Identify the potential impact of personal and organizational bias.</li> </ul>
(d) Organizational (Intermediate)	<ul style="list-style-type: none"> <li data-bbox="537 1711 1427 1772">(i) Undertake assignments in accordance with established practices to meet prescribed deadlines.</li> </ul>

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).

Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
	(ii) Review own work and that of others to determine whether it complies with the organization's quality standards.
	(iii) Apply people management skills to motivate and develop others.
	(iv) Apply delegation skills to deliver assignments.
	(v) Apply leadership skills to influence others to work towards organizational goals.

### Review of Professional Accounting Education Programs (Ref: Para. A15–A16)

8. IFAC member ~~bodies~~organizations shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in IES 3.

### Formal Assessment of Professional Skills (Ref: Para. A17–A19)

9. IFAC member ~~bodies~~organizations shall ~~establish appropriate~~ be responsible for the design, delivery, and oversight of assessment activities and processes to assess the professional skills of aspiring professional accountants.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member ~~body~~organization may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A3. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A4. The inclusion of professional skills in IPD lays the base for performing a role as a professional accountant. Further development of professional skills is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2020).
- A5. Within IES 3, professional skills are categorized into four competence areas:

- (a) *Intellectual* relates to the ability of a professional accountant to solve problems, make decisions, adapt to change, and exercise professional judgment;
  - (b) *Interpersonal and communication* relate to the ability of a professional accountant to work and interact effectively with others;
  - (c) *Personal* relates to the personal attitudes and behavior of a professional accountant; and
  - (d) *Organizational* relates to the ability of a professional accountant to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.
- A6. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional skills include intellectual and organizational; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A7. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

**Objective** (Ref: Para. 6)

- A8. Establishing the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

**Learning Outcomes for Professional Skills** (Ref: Para. 7)

- A9. Table A lists the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.
- A10. In the design of professional accounting education programs, the four competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area (for example, organizational) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within intellectual) may extend across several different courses or subjects, none of which may be devoted solely to that competence area.
- A11. There are many ways to describe and classify levels of proficiency. The description developed ~~by~~ for purposes of the IAESB IESs 2, 3, and 4 is provided in Appendix 1, Description of Levels of Proficiency.
- A12. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide

information to help IFAC member ~~bodies~~organizations design their professional accounting education programs.

A13. In professional accounting education programs, an IFAC member ~~body~~organization may:

- (a) include additional competence areas;
- (b) increase the level of proficiency for some competence areas; or
- (c) develop additional learning outcomes that are not specified in this IES.

This may occur when an IFAC member ~~body~~organization prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

A14. IFAC member ~~bodies~~organizations, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional skills, taking into consideration the national and cultural environment. An appropriate approach is likely to include a mixture of learning and development activities which combine structured learning programs and practical experience. For example, practical experience supervisors play an important role in helping aspiring professional accountants to develop professional skills within the workplace.

#### **Review of Professional Accounting Education Programs** (Ref: Para. 8)

A15. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member ~~bodies~~organizations, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member ~~bodies~~organizations.

A16. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

#### **Formal Assessment of Professional Skills** (Ref: Para. 9)

A17. IES 6, *Initial Professional Development – Assessment of Professional Competence* (~~201520XX~~), provides the principles that apply to the design, delivery, and oversight of assessment activities used to assess the professional skills and other elements of professional competence.

A18. Various assessment activities can be used to assess the professional skills of aspiring professional accountants. Work-based simulations or group exercises are examples of activities that enable aspiring professional accountants to develop and demonstrate achievement of learning outcomes related to professional skills, within a professional accounting education program. Practical experience also enables aspiring professional accountants to participate in assessment activities to demonstrate their professional skills. Examples of such activities include: (a) keeping a diary, (b) participating in 360 degree assessments, (c) compiling portfolios of evidence of achievement of learning outcomes, or (d) being monitored by a practical experience supervisor.

- A19. Assessment of professional skills in the workplace may require a different approach to that of written examinations in order to achieve high levels of reliability, authenticity, integrity, validity, equity, transparency, and sufficiency, accessibility, equity, and inclusion. For example, assessment design may include:
- (a) Specification of learning outcomes that are clear and detailed in order to minimize ambiguity and increase the reliability and transparency of the assessment;
  - (b) Training of workplace assessors in order to achieve consistency between assessors and equity between aspiring professional accountants; and
  - (c) Creation of work-based simulations in order to provide sufficient, equitable, and reliable assessments of professional skills.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB's use of learning outcomes in its publications such as International Education Standards (IESs) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help IFAC member ~~bodies~~organizations design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> </ul>



PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

**INTERNATIONAL EDUCATION STANDARD 4,  
INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL VALUES,  
ETHICS, AND  
ATTITUDES (2021)**

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## Introduction

### Scope of this Standard (Ref: Para. A2–A10)

1. International Education Standard (IES) 4 prescribes the learning outcomes that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD) for professional values, ethics, and attitudes. Professional values, ethics, and attitudes are the characteristics that identify professional accountants as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of professional behavior.
2. IES 4 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~organizations. IFAC member ~~bodies~~organizations have responsibility for ensuring that IPD meets the requirements of IES 4. In addition, IES 4 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Learning and development continue throughout the career of a professional accountant; professional values, ethics, and attitudes achieved during IPD are therefore also relevant to continuing professional development (CPD) as careers of professional accountants change, and professional accountants gain exposure to a wider range of ethical threats.
4. IES 4 integrates relevant ethical requirements into professional accounting education. These relevant ethical requirements ordinarily set out five fundamental principles of ethics<sup>1</sup> (integrity; objectivity; professional competence and due care; confidentiality; and professional behavior).
5. IES 4 specifies the competence areas and learning outcomes that describe the professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2021), and IES 3, *Initial Professional Development – Professional Skills* (2021), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
6. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021). Additional terms from the pronouncements of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) are also included in the Explanatory Material.

### Effective Date

7. IES 4 is effective from January 1, 2021.

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<sup>1</sup> The Fundamental Principles, IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition, Section 110.

**Objective (Ref: Para. A11)**

8. The objective of this IES 4 is to establish the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

**Requirements**

**Framework of Professional Values, Ethics, and Attitudes (Ref: Para. A12–A14)**

9. IFAC member ~~bodies~~organizations shall provide, through professional accounting education programs, a framework of professional values, ethics, and attitudes for aspiring professional accountants to (a) apply professional skepticism and exercise professional judgment, and (b) act in an ethical manner that is in the public interest.

**Relevant Ethical Requirements (Ref: Para. A15)**

10. IFAC member ~~bodies~~organizations shall integrate relevant ethical requirements throughout professional accounting education programs for aspiring professional accountants.

**Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref: Para. A16–A31)**

11. IFAC member ~~bodies~~organizations shall prescribe the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Professional Values, Ethics, and Attitudes**

Competence Area (Level of Proficiency <sup>2</sup> )	Learning Outcomes
(a) Professional skepticism and professional judgment (Intermediate)	(i) Apply an inquiring mind when collecting and assessing data and information.
	(ii) Apply techniques to reduce bias when solving problems, informing judgments, making decisions, and reaching well-reasoned conclusions.
	(iii) Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
(b) Ethical principles (Intermediate)	(i) Explain the nature of ethics.
	(ii) Explain the advantages and disadvantages of rules- based and principles-based approaches to ethics.
	(iii) Identify threats to compliance with the fundamental principles of ethics.
	(iv) Evaluate the significance of threats to compliance with the

<sup>2</sup> The level of proficiency for a competence area identifies the level to be achieved by the end of IPD (as outlined in Appendix 1).

Competence Area (Level of Proficiency <sup>2</sup> )	Learning Outcomes
	fundamental principles of ethics and respond appropriately.
	(v) Apply fundamental principles of ethics when collecting, generating, storing, accessing, using, or sharing data and information.
	(vi) Apply the relevant ethical requirements to professional behavior in compliance with standards. <sup>3</sup>
(c) Commitment to the public interest (Intermediate)	(i) Explain the role and importance of ethics within the profession and in relation to the concept of social responsibility.
	(ii) Explain the role and importance of ethics in relation to business and good governance.
	(iii) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
	(iv) Analyze the consequences of unethical behavior to the individual, the profession, and the public.

**Review of Professional Accounting Education Programs** (Ref: Para. A32–A33)

12. IFAC member ~~bodies~~organizations shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in IES 4.

**Reflective Activity** (Ref: Para. A34–A38)

13. IFAC member ~~bodies~~organizations shall design learning and development activities on professional values, ethics, and attitudes for aspiring professional accountants to include reflective activity that is formalized and documented.

**Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. A39–A42)

14. IFAC member ~~bodies~~organizations shall ~~establish appropriate~~ be responsible for the design, delivery, and oversight of assessment activities and processes to assess the professional values, ethics, and attitudes of aspiring professional accountants.

**Explanatory Material**

**References to Definitions Contained within IAASB and IESBA Pronouncements**

A1. This IES uses the following terms already defined within IAASB and IESBA pronouncements.

<sup>3</sup> Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.

**Table B: IAASB and IESBA Definitions Adopted in IES 4**

Defined Term	Definition in IAASB and IESBA Pronouncements
Professional Skepticism (IAASB) <sup>4</sup>	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
Professional Judgment (IESBA) <sup>5</sup>	Professional judgment involves the application of relevant training, professional knowledge, skills and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved.

**Scope of this Standard** (Ref: Para. 1–6)

- A2. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A3. Professional values, ethics, and attitudes are defined as the professional behavior and characteristics that identify professional accountants as members of a profession. These include the ethical principles generally associated with, and considered essential in, defining the distinctive characteristics of professional behavior.
- A4. Professional values, ethics, and attitudes include a commitment to (a) technical competence and professional skills, (b) ethical behavior (e.g., independence, objectivity, confidentiality, and integrity), (c) professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), (d) pursuit of excellence (e.g., commitment to continual improvement and lifelong learning), and (e) social responsibility (e.g., awareness and consideration of the public interest).
- A5. Relevant ethical requirements<sup>6</sup> are defined as those ethical requirements to which professional accountants are subject, which ordinarily comprise the *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants* (IESBA Code) together with any national requirements that are more restrictive.

<sup>4</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2018 Edition, Volume I*.

<sup>5</sup> *IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition, Para. 120.5 A1*.

<sup>6</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2018 Edition, Volume I*.

- A6. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A7. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member ~~body~~organization may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A8. The inclusion of professional values, ethics, and attitudes in IPD lays the base for performing a role as a professional accountant. Further development of professional values, ethics, and attitudes is a focus of CPD that is covered in IES 7, *Continuing Professional Development* (2020).
- A9. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional skills include intellectual and organizational.
- A10. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or a professional accounting education program.

**Objective** (Ref: Para. 8)

- A11. Establishing the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Framework of Professional Values, Ethics, and Attitudes** (Ref: Para. 9)

- A12. A framework of professional values, ethics, and attitudes may be established by the relevant ethical requirements, for example the conceptual framework approach set out in the IESBA Code.
- A13. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Consequently, the actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.
- A14. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member ~~bodies~~organizations promote a commitment for the aspiring professional accountant to act in the public interest. Acting in the public interest includes: (a) developing an awareness and concern for impact on the public; (b) developing a sensitivity to social responsibilities; (c) lifelong learning; (d) a predisposition to quality, reliability, responsibility, timeliness, and courtesy; and (e) a respect for laws and regulations. Consequently, professional accountants contribute to confidence and trust in the functioning of markets and the economy in general.

**Relevant Ethical Requirements** (Ref: Para. 10)

A15. Within a professional accounting education program, professional values, ethics, and attitudes may initially be treated as a separate course or subject. However, as aspiring professional accountants progress, the integration of professional values, ethics, and attitudes with other courses or subjects, encourages the recognition and consideration of wider ethical implications.

**Learning Outcomes for Professional Values, Ethics, and Attitudes** (Ref: Para. 11)

*Developing Learning Outcomes*

- A16. Table A lists the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.
- A17. IAASB pronouncements govern audit, review, assurance, and related service engagements that are conducted in accordance with international standards. Although the term professional skepticism is defined specifically within the context of audit and assurance engagements, the attitudes, skills and behaviors that contribute to professional skepticism are relevant to all aspiring professional accountants, regardless of their future role as a professional accountant. As a result, IPD includes learning and development activities that address the skills, attitudes, and behaviors necessary for aspiring professional accountants to have the ability to apply professional skepticism. The skills, attitudes, and behaviors contributing to professional skepticism are further developed following IPD, through CPD.
- A18. In the design of professional accounting education programs, the three competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also the learning outcomes associated with one competence area (for example, ethical principles) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within professional skepticism and professional judgment) may extend across several different courses or subjects, none of which may be devoted solely to that competence area. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A (for example, commitment to the public interest is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program).
- A19. There are many ways to describe and classify levels of proficiency. The description developed ~~by~~for the IAESB ~~purposes of the IESs 2, 3, and 4~~ is provided in Appendix 1, Description of Levels of Proficiency.
- A20. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member ~~bodies~~organizations design their professional accounting education programs.



A21. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in IES 4. This may occur when an IFAC member ~~body~~organization prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

*Selecting Learning and Development Activities*

A22. IFAC member ~~bodies~~organizations, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional values, ethics, and attitudes, taking into consideration the national and cultural environment.

A23. In determining the approach to achieving the learning outcomes, the mix of learning and development activities may include a combination of structured learning programs and practical experience. This combination may be organized to give aspiring professional accountants an adequate opportunity to experience the application of professional values, ethics, and attitudes in the workplace.

A24. In establishing learning and development activities, IFAC member ~~bodies~~organizations, educators, and other stakeholders may distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and maintaining an appropriate environment for ethical behavior. Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning.

A25. IFAC member ~~bodies~~organizations, educators, and other stakeholders may consider using participative approaches that can enhance the development of professional values, ethics, and attitudes. These may include but would not be restricted to:

- (a) Role playing;
- (b) Discussion of selected readings and online materials;
- (c) Analysis of case studies that involve business situations involving ethical threats;
- (d) Discussion of disciplinary pronouncements and findings;
- (e) Seminars using speakers with experience of corporate or professional decision making; and
- (f) Use of online forums and discussion boards.

A26. Participative approaches may lead aspiring professional accountants to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions.

*Professional Skepticism and Professional Judgment*

A27. Professional development in the areas of professional skepticism and professional judgment is not always straightforward. Planning effective learning and development in these areas involves due care and may include learning methods in which mentoring, reflective activity, time, and practical experience play a key role.

### *Ethical Principles*

- A28. Professional values, ethics, and attitudes apply to everything that professional accountants undertake in their professional capacity. Having (a) knowledge and understanding of ethical concepts, ethical theories, and the fundamental principles of professional ethics, and (b) the opportunity to practice their application in a non-workplace setting can help aspiring professional accountants to recognize and address ethical threats.
- A29. Learning and development for aspiring professional accountants on ethical principles and threats may address: (a) particular ethical threats likely to be faced by all professional accountants, (b) those ethical threats more likely to be encountered by professional accountants in their respective roles, and (c) key considerations in developing appropriate responses to such ethical threats.
- A30. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants to: (a) identify any apparent ethical implications and conflicts in their work or work environment, (b) form preliminary views on such occurrences, and (c) discuss them with their practical experience supervisors.
- A31. Ethical threats and potential dilemmas for aspiring professional accountants are likely to occur within the period of practical experience. Those responsible for designing and supervising practical experience programs may provide guidance to aspiring professional accountants about the need to consult employers, mentors, or supervisors within their work environment or an IFAC member body/organization, where there is doubt about the ethical aspects of a course of action or situation.

### **Review of Professional Accounting Education Programs** (Ref: Para. 12)

- A32. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies/organizations, and employers, as well as workplace training. The design of professional accounting education programs offered during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies/organizations.
- A33. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

### **Reflective Activity** (Ref: Para. 13)

- A34. Reflective activity is the iterative process by which professional accountants, at all stages of their career, continue to develop their professional competence by reviewing their experiences (real or simulated) with a view to improving their future actions.
- A35. The most realistic experiences on which to reflect may occur in the workplace. Where this is not possible or appropriate, simulations of “real life” experiences, or consideration of relevant cases that are in the public domain may also offer suitable alternatives.
- A36. The documentation of reflective activity may include:

- (a) Records of learning;
- (b) Reflective records;
- (c) Personal development portfolios; or
- (d) Critical incident diaries.

A37. In providing guidance to aspiring professional accountants and professional accountants on the nature, format, and content of documentation to be maintained for reflective activity and the types of ethical situations to be documented, IFAC member ~~bodies~~organizations may consider factors, for example confidentiality, legal, and regulatory requirements. For example, certain ethical situations could be sensitive and subject to legal or disciplinary actions and would therefore not be suitable for aspiring professional accountants to document and discuss.

A38. IFAC member ~~bodies~~organizations may also consider providing guidance on how to support reflective activity in practice for practical experience supervisors.

**Formal Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. 14)

A39. IES 6, *Initial Professional Development – Assessment of Professional Competence* (~~2015~~20XX) provides the principles that apply to the design, delivery, and oversight of assessment activities used to assess the professional values, ethics, and attitudes and other elements of professional competence.

A40. Various assessment activities can be used to assess the professional values, ethics, and attitudes of aspiring professional accountants. ~~Appropriate assessment~~Assessment activities may include: (a) written examinations ~~consisting of questions requiring short answers~~, (b) presentations, (c) case studies, (e) ~~written essays~~, (d) ~~objective testings~~simulations, (e) workplace assessments by employers, and (f) a portfolio of evidence on completion of workplace activities. . IFAC member organizations may award exemptions from aspects of IPD based on the recognition/evaluation of prior learning.

~~A40.~~A41. In addition to written examinations, there are a number of other means by which assessment within a formal education environment during IPD may be carried out, including:

- (a) Creating repositories of case studies and requiring aspiring professional accountants to complete tests based on these case studies;
- (b) Using a case analysis system that requires aspiring professional accountants to maintain journals and notes on particular public domain cases; and
- (c) ~~Using objective testing of ethical aspects of professional accounting education programs; and~~
- (d)(c) Using case study group assignments and workshops to assess ethical analysis and decision-making.

~~A41.~~A42. Workplace assessment differs from, and in many respects is more difficult than, assessment within a formal education environment. The means for assessing the development of professional values, ethics, and attitudes in the workplace may include:

- (a) Discussion and facilitated resolution of ethical threats as they arise in the workplace; and

- (b) Reviews of ethical decision-making combined with performance reviews and appraisals.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB's use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies/organizations design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non- accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder</li> </ul>

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Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide- range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

**INTERNATIONAL EDUCATION STANDARD 5,  
INITIAL PROFESSIONAL DEVELOPMENT – PRACTICAL EXPERIENCE  
(2015)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A4)

1. International Education Standard (IES) 5 prescribes the practical experience that aspiring professional accountants are required to complete by the end of Initial Professional Development (IPD).
2. IES 5 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~organizations. IFAC member ~~bodies~~organizations have responsibility for ensuring that IPD meets the requirements set out in IES 5. In addition, IES 5 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the practical experience of aspiring professional accountants.
3. Practical experience refers to workplace and other activities that are relevant to developing professional competence. Practical experience is a component of IPD. IPD is learning and development through which aspiring professional accountants first develop professional competence leading to perform a role as a professional accountant.
4. Practical experience during IPD builds on general education and professional accounting education programs. The public expects professional accountants to apply their experience and knowledge in carrying out their roles. However, the variety of roles that professional accountants perform means that the required practical experience may vary from one IFAC member ~~body~~organization to another, and even within an individual IFAC member ~~body~~organization that offers different types of membership. IFAC member ~~bodies~~organizations are able to adapt practical experience requirements to meet (a) their own needs, (b) the requirements of the relevant regulatory authorities, as well as (c) public expectations that professional accountants are competent.
5. After the completion of IPD, practical experience may be required to bring professional accountants to a level of professional competence needed for other roles, such as (a) that of a statutory auditor, (b) other forms of specialization, or those roles that are regulated. Practical experience is a part of the lifelong learning that professional accountants engage in to develop and maintain professional competence relevant to their role during Continuing Professional Development (CPD). Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, *Continuing Professional Development* (2020).
6. Practical experience supervisors and employers have important roles in planning and monitoring practical experience gained by aspiring professional accountants.
7. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021).

### Effective Date

8. IES 5 is effective from July 1, 2015.



## **Objective (Ref: Para. A5–A6)**

9. The objective of IES 5 is to establish the practical experience that is sufficient for aspiring professional accountants, and needs to be completed by the end of IPD, in order to perform a role as a professional accountant.

## **Requirements**

### **Practical Experience (Ref: Para. A7–A9)**

10. IFAC member ~~bodies~~organizations shall require that aspiring professional accountants complete practical experience by the end of IPD.
11. IFAC member ~~bodies~~organizations shall require sufficient practical experience to enable aspiring professional accountants to demonstrate that they have gained the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes necessary for performing a role of a professional accountant.
12. IFAC member ~~bodies~~organizations shall establish their preferred approach to measure practical experience using one of the following three approaches:
  - Output-based;
  - Input-based; or
  - A combination approach.

### *Output-Based Approach (Ref: Para. A10)*

13. Those IFAC member ~~bodies~~organizations implementing an output-based approach shall require aspiring professional accountants to demonstrate, using output measures, that they have obtained practical experience.

### *Input-Based Approach (Ref: Para. A11–A13)*

14. Those IFAC member ~~bodies~~organizations implementing an input-based approach shall require aspiring professional accountants to demonstrate, using input measures, that they have obtained practical experience.

### *Combination Approach (Ref: Para. A14)*

15. Those IFAC member ~~bodies~~organizations implementing a combination of output- and input- based approaches shall comply with the requirements of output- and input- based approaches, as applicable, set out in paragraphs 13 and 14.

### **Practical Experience Supervision and Monitoring (Ref: Para. A15–A21)**

16. IFAC member ~~bodies~~organizations shall require that practical experience of aspiring professional accountants be conducted under the direction of a practical experience supervisor.
17. IFAC member ~~bodies~~organizations shall require that practical experience of aspiring professional accountants is recorded in a consistent form prescribed by an IFAC member ~~body~~organization or, where applicable, a regulatory ~~body~~organization, and is supported by verifiable evidence.

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL  
COMPETENCE

18. IFAC member ~~bodies~~organizations shall require that the practical experience supervisor undertake a periodic review of the records of practical experience of aspiring professional accountants.
19. IFAC member ~~bodies~~organizations shall establish appropriate assessment activities to assess that sufficient practical experience has been completed by aspiring professional accountants.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–7)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to a performing role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Professional accounting education programs are designed to support aspiring professional accountants develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other education providers, IFAC member ~~bodies~~organizations, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member ~~bodies~~organizations.
- A3. Professional competence can be described and categorized in many different ways. Within the IES, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A4. Practical experience provides a professional environment in which aspiring professional accountants develop competence by:
- (a) Becoming aware of the environment in which services are provided;
  - (b) Enhancing their understanding of organizations, how business works, and professional work relationships;
  - (c) Being able to relate accounting work to other business functions and activities;
  - (d) Developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021)); and
  - (e) Having an opportunity to develop at progressive levels of responsibility while under appropriate levels of supervision.

### Objective (Ref: Para. 9)

- A5. Sufficient practical experience has a blend of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts. The breadth of practical experience is affected by factors such as: nature of role; level of complexity; national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence. The depth of practical experience is affected by factors such as the variety and complexity of tasks as well as the level of supervisory and monitoring support.

- A6. Establishing what constitutes the sufficient practical experience that aspiring professional accountants need to complete by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

**Practical Experience** (Ref: Para. 10–12)

- A7. IPD builds on general education and includes professional accounting education, practical experience, and assessment. The exact combination of these components may vary depending on a range of factors including, for example, the complexity and variety of tasks, special knowledge required, level of autonomy, and the level of judgment required by the role the aspiring professional accountant is expected to undertake at the end of IPD. The combination of practical experience and education might also vary according to (a) rules established by individual IFAC member ~~bodies~~organizations, (b) national and local laws, (c) the requirements of regulatory authorities, and (d) public expectations.
- A8. In determining what constitutes an appropriate balance between professional accounting education and practical experience, IFAC member ~~bodies~~organizations may consider the following:
- (a) Some professional accounting education programs that place a strong emphasis on practical application, such as traineeships, internships, cooperative education work periods, and secondments, may contribute to the practical experience requirement.
  - (b) Study for academic or professional qualifications is useful for acquiring and demonstrating professional accountancy knowledge. However, by itself, study does not necessarily demonstrate achievement of the professional competence to perform a role as a professional accountant. Experience gained at work equips aspiring professional accountants with many of the skills needed to become competent professional accountants.
  - (c) Practical experience may be obtained after completion of a professional accounting education program or concurrently with such a program.
- A9. In setting the approach and requirements for practical experience, IFAC member ~~bodies~~organizations may consider a number of factors, including:
- (a) The public interest, including knowledge of the local environment, public expectations, and any relevant regulatory requirements;
  - (b) The needs of the aspiring professional accountants, including an understanding of the roles that they are expected to undertake upon completion of IPD;
  - (c) The needs of the employer, including efficiency and cost-effectiveness, and whether that employer is in industry, government, or public practice; and
  - (d) The needs of the IFAC member ~~body~~organization, including regulatory requirements, efficiency, and cost-effectiveness.

*Output-Based Approach* (Ref: Para. 13)

- A10. The evidence that could be used for assessment purposes in an output-based approach during IPD could include:
- (a) Measurement of learning outcomes achieved in accordance with a competency map;

- (b) Reviews of a research project or reflective essay; and
- (c) Work logs compared against an appropriate competency map. Work logs are records maintained by individuals, which document the nature of assignments, tasks completed, and time incurred in completing those assignments and tasks.

*Input-Based Approach* (Ref: Para. 14)

- A11. Input-based approaches are often used as a proxy for measuring development of competence due to their ease of measurement and verification. Input-based approaches have limitations; for example, they do not always directly measure the learning outcomes or competence developed. Traditionally, input-based approaches are based on time, for example, hours spent on relevant activities, or total duration (days, months, or years) of practical experience.
- A12. Evidence that could be used for measurement in an input-based approach includes attendance records, time sheets, workplace diaries, and a work log or journal. IFAC member ~~bodies~~organizations setting a requirement using an input-based approach may consider the structure and relevance of education programs completed by aspiring professional accountants. Professional accounting education programs that deliver outcomes similar to the outcomes derived from measured work-based experience (such as internships) may contribute to the total requirement for practical experience. Equally, where a substantial professional accounting education program has been completed, such as a Master's degree in accounting, an IFAC member ~~body~~organization may elect to reduce the practical experience component. For example, an IFAC member ~~body~~organization choosing the input-based approach might consider three years of practical experience (as preferred and implemented by several IFAC member ~~bodies~~organizations), or two years with a Master's degree in accounting or other relevant subject, or a minimum of five years total of combined accounting education and sufficient practical experience.
- A13. Regardless of the balance of the component parts, there is typically an expectation by the public that a professional accountant has completed a professional accounting education program and has obtained sufficient practical experience.

*Combination Approach* (Ref: Para. 15)

- A14. Approaches that combine input-based and output-based approaches might be constructed by the IFAC member ~~body~~organization. Input units might be considered as contributing to the professional competences being measured. Achievement of particular competences might either be used to verify input, or in some cases replace a portion of the input requirement.

**Practical Experience Supervision and Monitoring** (Ref: Para. 16–19)

- A15. A practical experience supervisor is a professional accountant who is responsible for guiding, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience. Practical experience supervisors can represent an important link between aspiring professional accountants and IFAC member ~~bodies~~organizations. They may be responsible for planning the practical experience period, and provide guidance to aspiring professional accountants. In some environments practical experience supervisors may also provide mentoring support to aspiring professional accountants. IFAC member ~~bodies~~organizations may provide

training for practical experience supervisors, and put in place both assistance and quality control programs.

- A16. Practical experience supervisors may be assisted in performing the monitoring function by others, some of whom may not be professional accountants.
- A17. Verifiable evidence is evidence that is objective, and capable of being proven and retained.
- A18. The purpose of the periodic review by the practical experience supervisor of the record of practical experience, supported by verifiable evidence, is to check that requirements set by the IFAC member ~~body~~organization or regulatory authority are being met. In addition, this periodic review can also be used to monitor an individual's progress. If the aspiring professional accountant's progress does not match expectations, the practical experience supervisor has an opportunity to review the situation to discover the reasons why and what can be done to improve progress. This periodic monitoring will (a) provide an opportunity for the practical experience supervisor, the employer, and the aspiring professional accountant to review the practical experience obtained to date, and (b) contribute to future development of the aspiring professional accountant.
- A19. In assessing the sufficiency of the practical experience acquired by aspiring professional accountants, IFAC member ~~bodies~~organizations may consider the following activities:
- (a) Establishing a system, which may take a sampling approach, to monitor and report the practical experience obtained;
  - (b) Providing detailed written guidance for employers, practical experience supervisors, and aspiring professional accountants regarding the program of practical experience and their respective roles and responsibilities;
  - (c) Establishing a mechanism for approving the suitability of employers to provide the appropriate practical experience for aspiring professional accountants;
  - (d) Assessing and approving the practical experience environment before commencement of experience. For example, the nature and scope of practical experience and the training arrangements of employers can be reviewed to ensure that aspiring professional accountants would receive appropriate direction, supervision, mentoring, counseling, and evaluation;
  - (e) Establishing a system of periodic reporting by employers to cover changes, if any, in the planned nature, scope, and content of practical experience undertaken by aspiring professional accountants;
  - (f) Assessing, prior to completion of IPD, the practical experience gained, based on written submissions (possibly supported by oral submissions) made by aspiring professional accountants and practical experience supervisors (see also IES 6, *Initial Professional Development – Assessment of Professional Competence (201520XX)*);
  - (g) Encouraging employers to provide feedback to aspiring professional accountants and to practical experience supervisors, and to communicate when competences have been achieved;
  - (h) Monitoring previously approved employers and practical experience supervisors. IFAC member ~~bodies~~organizations may advise on areas for improvement or might recommend

withdrawal of approval if conditions have so changed that relevant experience criteria are not being met; and

- (i) Undertaking a periodic and timely study of the competences required by professional accountants to help to ensure that sufficient practical experience is acquired and supported by verifiable evidence, e.g., a work log.

A20. IES 6, *Initial Professional Development – Assessment of Professional Competence* (~~2015~~20XX) provides the principles that apply to the design of assessment activities used to assess the sufficiency of practical experience.

A21. Various activities can be used to assess the sufficiency of practical experience of aspiring professional accountants. ~~Appropriate assessment~~ Assessment activities of learning outcomes may include workplace assessments as presented in IES 2, *Initial Professional Development – Technical Competence* (2021), IES 3, *Initial Professional Development – Professional Skills* (2021) and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021) in their respective areas of focus within IPD.

## INTERNATIONAL EDUCATION STANDARD 7, CONTINUING PROFESSIONAL DEVELOPMENT (2020)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A6)

1. International Education Standard (IES) 7 prescribes the Continuing Professional Development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the accountancy profession.
2. CPD is learning and development that takes place after Initial Professional Development (IPD), and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD includes learning and development activities that are relevant to the roles of professional accountants, such as: (a) education, (b) training, (c) practical experience, (d) mentoring and coaching, (e) networking, (f) observation, feedback, and reflective activities, and (g) self-development activities.
3. Professional competence requirements may change as professional accountants take on new roles during their careers. CPD that includes many of the same elements as IPD also develops the additional breadth and depth of professional competence which may be necessary when moving into new roles.
4. IES 7 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~organizations. IFAC member ~~bodies~~organizations have a responsibility for the CPD of professional accountants as set out in the requirements of IES 7. In addition, IES 7 will be helpful to professional accountants, employers, regulators, government authorities, educational organizations, and any other stakeholders who support the CPD of professional accountants.
5. It is the responsibility of professional accountants to develop and maintain professional competence by undertaking relevant CPD activities. However, IES 7 is addressed to IFAC member ~~bodies~~organizations because their role is to help professional accountants develop and maintain the professional competence necessary to protect the public interest through:
  - (a) Adopting prescribed CPD requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures;
  - (b) Promoting the importance of, and a commitment to, lifelong learning among professional accountants; and
  - (c) Facilitating access to CPD opportunities and resources for professional accountants.
6. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021).

### Effective Date

7. IES 7 is effective from January 1, 2020.

## **Objective (Ref: Para. A7–A8)**

8. The objective of IES 7 is to establish that professional accountants undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant.

## **Requirements**

### **CPD for Professional Accountants (Ref: Para. A9–A15)**

9. IFAC member ~~bodies~~organizations shall require professional accountants to undertake and record relevant CPD that develops and maintains professional competence necessary to perform their role as a professional accountant.

### **Promotion of, and Access to, CPD (Ref: Para. A16–A18)**

10. IFAC member ~~bodies~~organizations shall promote the importance of, and a commitment to, CPD and the development and maintenance of professional competence.
11. IFAC member ~~bodies~~organizations shall facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility to undertake CPD that develops and maintains professional competence.

### **Measurement of CPD (Ref: Para. A19–A20, A27)**

12. IFAC member ~~bodies~~organizations shall establish an approach to measurement of professional accountants' CPD using the output-based approach, input-based approach, or both.

#### *Output-Based Approach (Ref: Para. A21–A23)*

13. IFAC member ~~bodies~~organizations using an output-based approach shall require professional accountants to develop and maintain professional competence that is demonstrated by achieving learning outcomes relevant to performing their role as a professional accountant.

#### *Input-Based Approach (Ref: Para. A24–A26)*

14. IFAC member ~~bodies~~organizations using an input-based approach shall require professional accountants to develop and maintain professional competence that is demonstrated by completing a specified amount of learning and development activity relevant to performing their role as a professional accountant.

### **Monitoring and Enforcement of CPD (Ref: Para. A28–A42)**

15. IFAC member ~~bodies~~organizations shall specify the nature and extent of verifiable evidence that professional accountants are required to maintain for CPD that has been undertaken.
16. IFAC member ~~bodies~~organizations shall establish a systematic process to (a) monitor whether professional accountants meet the IFAC member ~~body's~~organization's CPD requirements, and (b) provide appropriate sanctions for failure to meet those requirements.

## **Explanatory Material**

**Scope of this Standard** (Ref: Para. 1–6)

- A1. Within the IESs, a professional accountant is an individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority. The accountancy profession includes, but is not limited to:
- (a) Preparing, analyzing, and reporting relevant and faithfully represented financial and non-financial information;
  - (b) Partnering in decision making, and in formulating and implementing organizational strategies;
  - (c) Auditing financial and non-financial information, and providing other assurance and advisory services; and
  - (d) Preparing and analyzing relevant tax information.
- A2. Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of learning outcomes for: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A3. Undertaking CPD does not guarantee that a professional accountant will develop and maintain professional competence necessary to provide high- quality professional services. However, CPD plays an important part in strengthening public confidence and trust by enabling a professional accountant to develop and maintain professional competence that is relevant to their role as a professional accountant.
- A4. Professional accountants are expected to develop and maintain professional competence as they anticipate and adapt to changes in processes, technology, professional standards, regulatory requirements, employer demands, and other areas. In supporting professional accountants in meeting these expectations, IFAC member ~~bodies~~organizations may periodically review their CPD policies and the application of IES 7.
- A5. A well-established program of CPD that is measured, monitored, evaluated, and enforced may form part of an IFAC member ~~body's~~organization's quality assurance processes. These quality assurance processes may include quality assurance reviews of professional accountants' work (which may include a review of the CPD undertaken by professional accountants), investigation, and disciplinary processes.
- A6. Lifelong learning represents the on-going pursuit of (a) technical competence; (b) professional skills; and (c) professional values, ethics, and attitudes. Lifelong learning is critical if professional accountants are to meet public interest expectations.

**Objective** (Ref: Para. 8)

- A7. Establishing that professional accountants undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant serves several purposes. It helps protect the public interest, supports the performance of high quality services for clients, employers, and other stakeholders, and promotes the credibility of the accountancy profession.

- A8. CPD is necessary for professional accountants, regardless of sector or size of the organization in which they operate, because:
- (a) Professional accountants have an obligation of professional competence and due care to their clients, employing organizations, and relevant stakeholders, and are expected to perform competently within their professional environment;
  - (b) Professional accountants are subject to public scrutiny and contribute to the maintenance of public trust;
  - (c) The public is likely to rely on the designation and professional standing of the professional accountant. Lack of competence has the potential to damage the reputation and standing of the professional accountant, the employer, IFAC member ~~bodies~~organizations, and the accountancy profession as a whole;
  - (d) Rapidly changing environments drive the need to develop new areas of professional competence; and
  - (e) Employers recruiting professional accountants may rely on the professional designation as evidence of professional competence.

**CPD for Professional Accountants** (Ref: Para. 9)

- A9. CPD that is relevant facilitates effective learning and development for professional accountants. CPD is relevant where it is closely aligned with the responsibilities of a professional accountant's role and helps develop and maintain the professional competence necessary to perform that role.
- A10. Acknowledging that professional accountants have differing learning and development needs, IFAC member ~~bodies~~organizations may develop CPD frameworks that can provide structure, guidance, or explanation of concepts in order to support the learning and development of professional accountants. CPD frameworks may help professional accountants identify, undertake, and record relevant CPD. For example, a CPD framework may include the following structure for professional accountants to follow:
- (a) Perform self-assessment activities to identify relevant learning outcomes and personal development gaps;
  - (b) Plan for, complete, and record learning and development activities;
  - (c) Evaluate and undertake reflective activity on completed learning and development activities; and
  - (d) Revise the learning and development plan accordingly.
- A11. IFAC member ~~bodies~~organizations may provide other tools to help professional accountants identify, plan, and record relevant CPD, such as:
- (a) Competency maps, which provide a list of key competences for certain roles or sectors of the accountancy profession;
  - (b) Learning plan templates, which assist professional accountants to identify learning and development needs, including learning outcomes, and plan how to meet them; and
  - (c) Learning record examples that guide professional accountants in recording their learning and development activities.

- A12. IFAC member ~~bodies~~organizations may provide guidance that encourages professional accountants to discuss their CPD with employers, colleagues, IFAC member ~~bodies~~organizations, and other professional organizations. Such discussions may help identify competence gaps or learning and development gaps, together with learning outcomes that can be used to identify relevant learning opportunities to meet those needs.
- A13. IFAC member ~~bodies~~organizations may choose to develop requirements or guidance on learning and development activities or learning outcomes they consider relevant to the roles and functions of professional accountants in their jurisdiction. IFAC member ~~bodies~~organizations may also prescribe specific or additional CPD or learning outcomes for:
- (a) Specific competence areas or topics (e.g., financial accounting and reporting);
  - (b) Professional accountants working in specialist areas or performing specialist or specific roles (e.g., a tax preparer); and
  - (c) Competence areas considered to be most relevant to the protection of the public interest.
- A14. Given the significance of the audit engagement partner role to the public interest, IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements*<sup>1</sup> (2021) prescribes the professional competence that professional accountants are required to develop and maintain as part of a specified role.
- A15. In setting the requirement for CPD, IFAC member ~~bodies~~organizations may consider what is relevant for professional accountants in special circumstances, for example:
- For individuals on career breaks; and
  - For individuals who have retired from full-time practice, and who continue to do work in some capacity as professional accountants.

**Promotion, of and Access to, CPD** (Ref: Para. 10–11)

- A16. The following represent examples of activities that may contribute to the promotion of CPD and the development and maintenance of professional competence:
- (a) Communicating the value of CPD regularly to professional accountants;
  - (b) Encouraging the use of a CPD framework by professional accountants to support relevant learning and development;
  - (c) Promoting the variety of CPD opportunities available to professional accountants;
  - (d) Working with employers to emphasize the importance of CPD within performance management processes; and
  - (e) Working with local regulators and other licensing authorities to promote awareness of, and compliance with, local CPD requirements.
- A17. IFAC member ~~bodies~~organizations may directly provide relevant CPD programs for professional accountants and facilitate access to programs offered by others, including employers.

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<sup>1</sup> IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial State- ments* (2021), Para. 1.

- A18. The following represent examples of planned and unplanned learning and development activities that IFAC member ~~bodies~~organizations may promote for CPD:
- (a) Undertaking educational programs or training events, such as in- person learning courses (delivered live or virtually), e-learning courses, conferences, and seminars;
  - (b) Reflecting on practical experiences and developing personal development plans through self- assessment activities;
  - (c) Receiving on-the-job training, performance feedback, or professional development guidance from a mentor or coach;
  - (d) Providing on-the-job training, performance feedback, or professional development guidance as a mentor or coach;
  - (e) Participating in, and working on, professional boards, technical committees, sector activities, information networks, communities of practice, or other similar groups;
  - (f) Writing articles, papers, or books of a technical, professional, or academic nature;
  - (g) Researching subject matter, including reading professional literature and journals, for application in the professional accountant's role;
  - (h) Studying for professional exams, re-examination, or other formal testing; and
  - (i) Designing, developing, reviewing, or teaching in-person learning courses (delivered live or virtually), e-learning courses, conferences, seminars, or other educational programs and training events.

**Measurement of CPD** (Ref: Para. 12)

- A19. Measurement includes evaluating evidence of CPD in terms of the achievement of learning outcomes or completion of a specified amount of learning and development activities related to (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A20. In determining the approach for measuring CPD, IFAC member ~~bodies~~organizations may consider a number of factors, including:
- (a) Public interest considerations, including local environmental issues, public expectations, and relevant regulatory requirements; and
  - (b) Learning and development needs of professional accountants in the jurisdiction, including an understanding of the range of roles that professional accountants perform.

*Output-Based Approach* (Ref: Para 13)

- A21. An output-based approach measures CPD by determining whether professional accountants can demonstrate the achievement of learning outcomes. The measurement focus is on what professional accountants achieved from having undertaken learning and development activities. Paragraph A31 provides examples of verifiable evidence that could be used to demonstrate that learning outcomes have been achieved.
- A22. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for a specified competence area. Learning outcomes can be achieved through planned and unplanned learning and development activities, and are relevant where they are

closely aligned with the responsibilities of a professional accountant's role and help to develop and maintain the professional competence necessary to perform that role.

- A23. The output-based approach includes the establishment of clearly defined learning outcomes that are relevant to a professional accountant's role. Learning outcomes may be established by a number of sources, including:
- (a) IFAC member ~~bodies~~organizations;
  - (b) Professional accountants themselves, when undertaking self-assessment activities;
  - (c) Employers;
  - (d) Licensing regimes;
  - (e) Regulatory ~~bodies~~organizations; and
  - (f) CPD Providers.

*Input-Based Approach* (Ref: Para. 14)

- A24. An input-based approach measures CPD in terms of hours or equivalent learning units. For example, IFAC member ~~bodies~~organizations may establish requirements for each professional accountant to:
- (a) Complete a predetermined number of hours of learning (or equivalent units) within a rolling period of time; or
  - (b) Complete a specified amount of relevant learning or professional development activity in each year.

Paragraph A32 provides examples of verifiable evidence that could be used to demonstrate that learning and development activities were completed, and were relevant to the professional accountant's role.

- A25. IFAC member ~~bodies~~organizations using an input-based approach expect professional accountants to develop and maintain professional competence, through the undertaking of a specified amount of CPD. For example, an IFAC member ~~body~~organization may set a requirement of at least 120 hours (or equivalent learning units) of relevant CPD in each rolling three-year period, of which 60 hours (or equivalent learning units) would be verifiable; and a minimum of 20 hours (or equivalent learning units) of relevant professional development activity in each year.
- A26. IFAC member ~~bodies~~organizations may provide guidance to professional accountants on the extent of CPD that can be obtained from a single learning and development activity that is undertaken more than once (for example, delivering a presentation more than once when the content of the presentation or speech remains unchanged).

*Use of Both Measurement Approaches* (Ref: Para. 12)

- A27. IFAC member ~~bodies~~organizations may use both the output-based and the input-based approaches in establishing their measurement approach for CPD. Examples of how an IFAC member ~~body~~organization might construct such an approach could include:

- (a) Evaluating the achievement of specified learning outcomes using an output-based approach while allowing for a quantifiable measurement of completed CPD using an input-based approach for other learning outcomes;
- (b) Accepting evidence that learning and development activities have been undertaken by a professional accountant and verifying that learning outcomes have been achieved for those learning and development activities;
- (c) Measuring CPD for professional accountants performing certain roles using an output-based approach, while CPD for professional accountants performing other roles is measured using an input-based approach; and
- (d) Establishing an input-based approach and allowing the professional accountant to replace a portion of input-based CPD with CPD measured using an output-based approach.

**Monitoring and Enforcement of CPD** (Ref: Para. 15–16)

- A28. Verifiable evidence increases the confidence of stakeholders that CPD is achieving its intended objective and contributing towards the enhanced professional competence of professional accountants. Verifiable evidence is objective, and capable of being proven and retained.
- A29. IFAC member ~~bodies~~organizations may provide guidance on the evidence to be maintained for CPD that has been undertaken. Guidance may cover the responsibilities of professional accountants for:
- (a) Retention of appropriate records and documents related to their CPD; and
  - (b) Provision, on request, of verifiable evidence to demonstrate their compliance with the CPD requirements of the IFAC member ~~body~~organization.
- A30. As part of specifying the nature and extent of evidence that professional accountants maintain for CPD, IFAC member ~~bodies~~organizations may determine that a portion of learning activities is not able to be verified. Some learning activities, for example on-the-job training; reading; or coaching and mentoring, may be measurable, but may not be easily verified. These activities also contribute relevant CPD because they provide for the development and maintenance of professional competence. Learning activities that are not able to be verified may still be evidenced and documented, such as, through self-assessment activities and reflective activity.
- A31. The following examples represent verifiable evidence that could be used to demonstrate that learning outcomes have been achieved in an output-based approach:
- (a) Examination results;
  - (b) Specialist or other qualifications;
  - (c) Assessments of the acquisition of technical competence, professional skills, professional values, ethics and attitudes for specified learning outcomes;
  - (d) Records of work performed that have been verified against a competency map;
  - (e) Objective assessments of performance or behavior against a competency map; and
  - (f) Published material.



- A32. The following examples represent verifiable evidence that could be used to demonstrate that a specified amount of learning and development activity has been undertaken in an input-based approach:
- (a) Course outlines, teaching materials, storyboards (for virtual training), and meeting agenda objectives and meeting minutes that verify the relevance of the content; and
  - (b) Confirmation that a learning and development activity has been completed (including number of hours or equivalent learning units) by a provider, instructor, employer, mentor, or tutor.
- A33. A systematic monitoring process may involve professional accountants periodically:
- (a) Submitting a declaration as to whether they meet their professional responsibility to maintain the necessary professional competence to perform their role;
  - (b) Submitting a declaration confirming compliance with any specific CPD requirements imposed by the IFAC member ~~body~~organization or other regulators or other licensing authorities; or
  - (c) Providing evidence of learning and development activities undertaken, or verification of the professional competence they have developed and maintained through their CPD.
- A34. A systematic monitoring process may involve IFAC member ~~bodies~~organizations:
- (a) Obtaining a sample of professional accountants' records of CPD activity to check compliance with requirements;
  - (b) Assessing learning plans or CPD documents as part of quality assurance programs;
  - (c) Requiring certain employers to include CPD programs and effective monitoring systems in their quality assurance programs, and to track learning and development activities as part of their time recording systems; or
  - (d) Working with regulators or other licensing authorities to assist in monitoring and enforcing CPD requirements.
- A35. IFAC member ~~bodies~~organizations may determine which roles of professional accountants are considered to be most relevant to the protection of the public interest and adopt more rigorous monitoring accordingly.
- A36. IFAC member ~~bodies~~organizations may conduct a set of monitoring processes on a cyclical basis. In determining the duration of a cyclical monitoring process, the IFAC member ~~body~~organization may consider what is reasonable in its environment, taking into consideration the public interest, and the expectations of the public, regulators, and other stakeholders. Experience of some IFAC member ~~bodies~~organizations suggests that cycles of between one and five years may meet these expectations.
- A37. A system of mandatory CPD will operate more effectively, and in the public interest, when professional accountants who fail to meet their CPD obligations are brought into compliance on a timely basis. IFAC member ~~bodies~~organizations may consider the legal and environmental conditions in their jurisdiction in order to determine the types of sanctions they will impose for non-compliance.
- A38. The initial steps taken to address non-compliance are likely to focus on bringing the professional accountant into compliance within a reasonable time period. IFAC member ~~bodies~~organizations are likely to seek to balance the risk of setting a sanction that, in substance, amounts to permitting

a professional accountant to defer or avoid compliance with the CPD requirement, with the risk of setting a sanction that is excessively punitive.

- A39. A professional accountant's willful failure to develop and maintain professional competence may be a violation of a code of ethics that may result in disciplinary action and diminish the professional accountant's ability to act in the public interest.
- A40. Some IFAC member ~~bodies~~organizations may have the legal authority to expel non-compliant professional accountants or to deny them the right to practice. Expulsion or denial of the right to practice may be applied to professional accountants who have made it clear, through a pattern of non-compliance or through their response to the IFAC member ~~body's~~organization's inquiries, that they are likely to continue to fail to comply with the CPD requirements. Publication of the names of professional accountants who willfully fail to comply is an option that may be considered by the IFAC member ~~body~~organization. Publication of names can act as a general deterrent for professional accountants and provide a clear signal to the public of the profession's commitment to maintaining competence and protecting the public interest.
- A41. An effective monitoring and enforcement process requires adequate resources. IFAC member ~~bodies~~organizations may also consider establishing a board or committee to oversee CPD requirements and the monitoring and enforcement process.
- A42. IFAC member ~~bodies~~organizations may consider reporting publicly the extent to which their members comply with the CPD requirements set out in IES 7.

**INTERNATIONAL EDUCATION STANDARD 8,  
PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS  
RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (2021)**

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## Introduction

### Scope of this Standard (Ref: Para. A2–A16)

1. International Education Standard (IES) 8 prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements<sup>1</sup>.
2. IES 8 is addressed to International Federation of Accountants (IFAC) member ~~bodies~~ organizations. IFAC member ~~bodies~~ organizations have a responsibility for the Continuing Professional Development (CPD) of professional accountants, and for fostering a commitment to lifelong learning among professional accountants. Under IES 7, *Continuing Professional Development*<sup>2</sup> (2020), IFAC member ~~bodies~~ organizations require professional accountants to develop and maintain professional competence necessary to perform their role as a professional accountant. IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (2021) applies this IES 7 requirement to the role of an Engagement Partner. It is the responsibility of the professional accountant performing the role of an Engagement Partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.
3. IES 8 is intended to be read in conjunction with Statement of Membership Obligations (SMO) 1 – *Quality Assurance*, International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, and ~~International Standard on Quality Control-Management (ISQMG) 1, *Quality Control Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and International Standard on Quality Management (ISQM 2), *Engagement Quality Reviews*~~. Together, these pronouncements place responsibilities on IFAC member ~~bodies~~ organizations, Engagement Partners, and firms as part of the system of quality control for audits of financial statements. Also, in many jurisdictions, a regulator may have an oversight role in this system of quality control. Each of these stakeholders may have an impact on the professional competence of the Engagement Partner.
4. IFAC member ~~bodies~~ organizations or other stakeholders may also apply the requirements of IES 8 to professional accountants performing an equivalent role to that of an Engagement Partner on audits of other historical financial information in compliance with the ISAs (or other relevant auditing standards) or other types of engagements providing assurance and related services.
5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements are also included in the Explanatory Material.

### Effective Date

6. IES 8 is effective from January 1, 2021.

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<sup>1</sup> For the purpose of this IES, hereafter referred to as “Engagement Partner” per the definition set out in International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, Para. 7(a).

<sup>2</sup> IES 7, *Continuing Professional Development* (2020), Para. 9.

## Objective (Ref: Para. A17–A18)

7. The objective of IES 8 is to establish the professional competence that professional accountants develop and maintain when performing the role of an Engagement Partner.

## Requirements (Ref: Para. A19–A31)

8. IFAC member ~~bodies~~organizations shall require professional accountants performing the role of an Engagement Partner to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including, but not limited to, those listed in Table A.
9. IFAC member ~~bodies~~organizations shall require professional accountants performing the role of an Engagement Partner to undertake CPD that develops and maintains the professional competence required for this role.

**Table A: Learning Outcomes for the Professional Competence of an Engagement Partner**

Competence Areas (IES 8)	Learning Outcomes
(a) Audit	(i) Lead the audit through active involvement during all phases of the audit engagement.
	(ii) Lead the identification and assessment of the risks of material misstatement.
	(iii) Develop an audit plan that responds to the risks of material misstatement identified.
	(iv) Evaluate responses to the risks of material misstatement.
	(v) Conclude on the appropriateness and sufficiency of all relevant audit evidence, including contradictory evidence, to support the audit opinion.
	(vi) Evaluate whether the audit was performed in accordance with International Standards on Auditing or other relevant auditing standards, laws, and regulations applicable to an audit of the financial statements.
	(vii) Develop an appropriate audit opinion and related auditor's report, including a description of key audit matters as applicable.
(b) Financial accounting and reporting	(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements.
	(ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements.
	(iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management.
	(iv) Evaluate the fair presentation of financial statements relative to the

Competence Areas (IES 8)	Learning Outcomes
	nature of the business, the operating environment, and the entity's ability to continue as a going concern.
(c) Governance and risk management	(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.
(d) Business environment	(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.
(e) Taxation	(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.
(f) Information and communications technologies	(i) Evaluate the information and communications technologies (ICT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.
(g) Business laws and regulations	(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.
(h) Finance and financial management	(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.
	(ii) Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.
(i) Interpersonal and communication	(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.
	(ii) Evaluate the potential impact of cultural and language differences on the performance of the audit.
	(iii) Resolve audit issues through effective consultation when necessary.
(j) Personal	(i) Promote lifelong learning.
	(ii) Act as a role model to the engagement team.
	(iii) Act in a mentoring or coaching capacity to the engagement team.
	(iv) Promote reflective activity.

<b>Competence Areas (IES 8)</b>	<b>Learning Outcomes</b>
(k) Organizational	(i) Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.
	(ii) Manage audit engagements by providing leadership and project management of engagement teams.
(l) Commitment to the public interest	(i) Promote audit quality and compliance with professional standards and regulatory requirements with a focus on protecting the public interest.
(m) Professional skepticism and professional judgment	(i) Apply professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.
	(ii) Promote the importance of the application of professional skepticism during all phases of the audit engagement.
	(iii) Apply professional skepticism to critically assess audit evidence obtained during the course of an audit and reach well-reasoned conclusions.
	(iv) Evaluate the impact of individual and organizational bias on the ability to apply professional skepticism.
	(v) Apply professional judgment to evaluate management's assertions and representations.
	(vi) Resolve audit issues using critical thinking to consider alternatives and analyze outcomes.
(n) Ethical principles	(i) Promote the importance of compliance with the fundamental principles of ethics. <sup>3</sup>
	(ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.

<sup>3</sup> The Fundamental Principles, *IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition*, Section 110.

## Explanatory Material

### References to Definitions Contained within IAASB Pronouncements (Ref: Para. 5)

A1. IES 8 uses the following terms already defined within IAASB pronouncements<sup>4</sup>.

**Table B: IAASB Definitions Adopted in IES 8**

Defined Term	Source of Term	Definition in Use
Auditor's Expert	ISA 620 <i>Using the Work of an Auditor's Expert</i> , Paragraph 6(a).	An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.
Engagement Partner*	ISA 220 <i>Quality Control/Management for an Audit of Financial Statements</i> , Paragraph <u>712</u> (a).	The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory <del>body</del> organization.
Engagement Team	ISA 220 <i>Quality Control/Management for an Audit of Financial Statements</i> , Paragraph <u>712</u> (d).	All partners and staff performing the <u>audit engagement</u> , and any <u>other individuals engaged by the firm or a network firm</u> who perform audit procedures on the engagement. <del>This excludes, excluding an auditor's external expert engaged by the firm or a network firm. The term engagement team" also excludes individuals within the client's and internal audit function</del> <u>auditors</u> who provide direct assistance on an <u>audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013)</u> <sup>5</sup> <u>engagement</u> .

<sup>4</sup> The ISA definitions detailed above are contained within the IAASB *Handbook of International Quality Control/Management, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2018/2022 Edition, Volume I*.

<sup>5</sup> ISA 610, *Using the Work of Internal Auditors (Revised 2013)*.



Defined Term	Source of Term	Definition in Use
Financial Statements	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing,</i> Paragraph 13 (f).	A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time <sub>1</sub> or of the changes therein.  For a period of time <sub>1</sub> in accordance with a financial reporting framework. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.
Firm*	ISA 220 <u>(Revised) Quality Control for management for an Audit of Financial Statements,</u> Paragraph 7 <del>(e)</del> . <u>12 €.</u>	A sole practitioner, partnership or corporation or other entity of professional accountants, <u>or public sector equivalent.</u>
Professional Judgment	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing,</i> Paragraph 13 (k).	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
Professional Skepticism	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing,</i> Paragraph 13 (l).	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
* "Partner" and "firm" should be read as also referring to the <u>public sector equivalent</u> .		

### Scope of this Standard (Ref: Para. 1–5)

- A2. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A3. CPD is a continuation of Initial Professional Development (IPD). IPD is the learning and development through which individuals first develop competence leading to performing the role as a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuous development of: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant.
- A4. As outlined in IES 7<sup>6</sup>, CPD includes practical experience. As the career of an Engagement Partner progresses, practical experience becomes increasingly important in developing and maintaining the necessary depth and breadth of professional competence. Practical experience for Engagement Partners may be evidenced by annual self-declarations, records of chargeable time, and the results of qualitative monitoring activities such as performance reviews, engagement quality assurance reviews, and regulatory inspections.
- A5. In addition to professional competence and practical experience, other factors outside the scope of this IES determine whether a professional accountant has, where required, the appropriate authority from a professional, legal, or regulatory ~~body~~organization to perform the role of Engagement Partner.
- A6. In many jurisdictions, legislation, regulation, or a regulator (referred to collectively as a “licensing regime”) sets or enforces the requirements as to who may perform the role of an Engagement Partner. Licensing regimes vary widely in their requirements. Where licensing is not within the authority of the IFAC member ~~body~~organization, IFAC member ~~bodies~~organizations shall use their best endeavors as described in SMO 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB*<sup>7</sup> *Aspiring Professional Accountants*<sup>7</sup> to influence the licensing regime so that the IFAC member ~~body~~organization can meet the professional competence requirements set out in IES 8.
- A7. A firm, which by definition includes sole practitioners, determines who can issue an audit opinion as a legal representative of that firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can perform the role of Engagement Partner.

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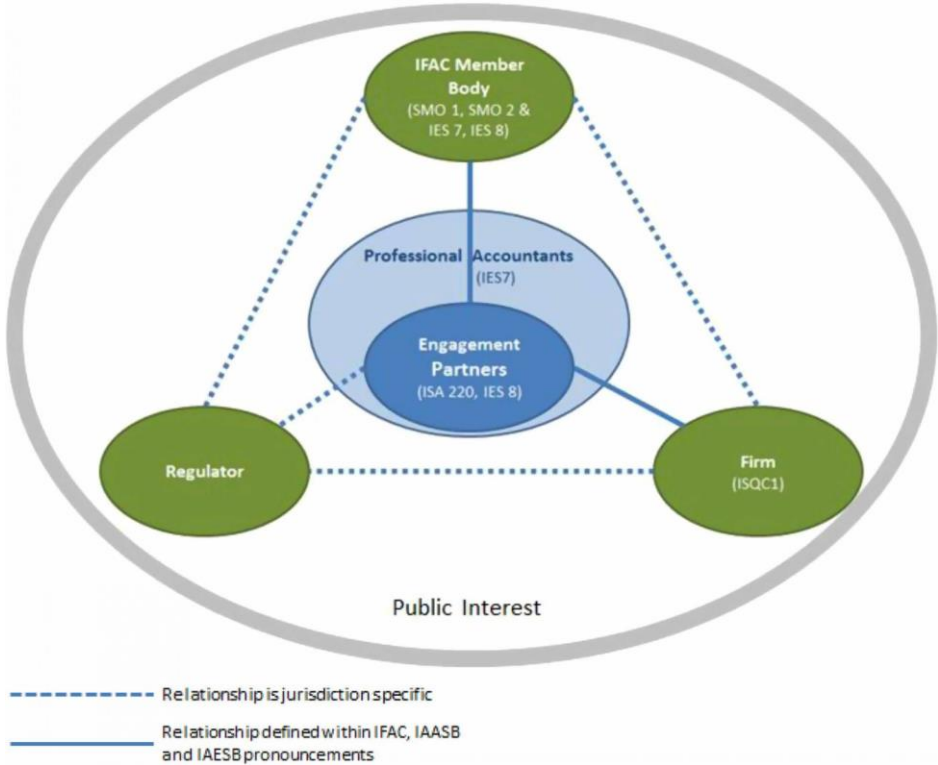
<sup>6</sup> See IES 7, *Continuing Professional Development* (2020), Para. 2.

<sup>7</sup> Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* *Aspiring Professional Accountants* sets out the requirements of an IFAC member ~~body~~member organization with respect to international standards and other pronouncements issued by the IAESB. ~~these International Education Standards~~. The SMO specifically addresses (Para 9) the situation where an IFAC member ~~body~~organization has no responsibility or shared responsibility for adopting and implementing professional accounting.

*Stakeholders That Impact the Professional Competence of Engagement Partners*

- A8. Figure 1 illustrates stakeholders that impact the professional competence of Engagement Partners. Relationships between stakeholders can be dependent on the jurisdiction or as a consequence of requirements contained in ISA and IES and obligations contained in IFAC pronouncements.
- A9. In accordance with IES 7<sup>8</sup>, IFAC member body organizations require professional accountants to undertake and record relevant CPD that develops and maintains professional competence necessary to perform their role as a professional accountant.

**Figure 1: Stakeholders That Impact the Professional Competence of Engagement Partners**



- A10. IES 7<sup>9</sup> also requires IFAC member body organizations to establish a systematic process to monitor whether professional accountants meet the IFAC member body organization's CPD requirements.
- A11. ISA 220<sup>10</sup> addresses the responsibilities of the Engagement Partner with respect to whether the engagement team and any auditor's experts who are not part of the team, collectively have the appropriate competence and capabilities. Unless information provided by the firm or other parties suggest otherwise, ISA 220<sup>11</sup> indicates that the engagement team may rely on the firm's system of

<sup>8</sup> See IES 7, *Continuing Professional Development* (2020), Para. 9.  
<sup>9</sup> See IES 7, *Continuing Professional Development* (2020), Para. 16.  
<sup>10</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. 14.  
<sup>11</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. A2.

quality control in relation to the competence of personnel through their recruitment and formal training.

- A12. ~~ISQC 112 requires the firm to establish policies and procedures designed to provide reasonable assurance that the firm has sufficient personnel with the competence, capabilities and commitment to ethical principles, including independence requirements, necessary to (a) perform engagements in accordance with professional standards and applicable legal and regulatory frameworks, and (b) enable the firm or Engagement Partners to issue reports that are appropriate in the circumstances.~~ ISQM 1<sup>12</sup> requires the firm to establish quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management.
- A13. In many jurisdictions, regulators may have an oversight role in relation to IFAC member ~~bodies~~organizations, firms, and Engagement Partners.
- A14. By complying with the requirements of this IES and fulfilling their obligations under SMO 1<sup>13</sup> and SMO 2<sup>14</sup>, IFAC member ~~bodies~~organizations assist firms in complying with the requirements of ISQC 1 and assist Engagement Partners in complying with the requirements of ISA 220. Collectively these pronouncements promote clarity and consistency with respect to the professional competence required of the Engagement Partner and the engagement team, which serves to protect the public interest.
- A15. Only those professional accountants who develop and maintain the professional competence that is demonstrated by achievement of the learning outcomes listed in Table A will be able to deal with the complex situations that Engagement Partners may face during their careers. A professional accountant aspiring to be an Engagement Partner will usually serve for several years on engagement teams and may progress through supervisory and managerial roles under the supervision of an Engagement Partner. This progression through increasing levels of responsibility is a common path through which a professional accountant may prepare to assume the role of an Engagement Partner. Those serving as an Engagement Partner develop and maintain their professional competence through leading or serving on audit engagements, and through other learning activities as part of their CPD.

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<sup>12</sup> See ~~ISQC~~ISQM 1, Quality Control/Management for Firms that Perform Audits and/or Reviews of Financial Statements, and Other Assurance and Related Services Engagements, Para. 2932.

<sup>13</sup> Statement of Membership Obligations 1 – *Quality Assurance* sets out the requirements of an IFAC member ~~body~~organization with respect to quality assurance review systems for its members who perform audits, review and other assurance and related services engagements of financial statements. The SMO ~~spe-cifically~~specifically addresses the situation where an IFAC member ~~body~~organization has no responsibility or shared ~~respon-sibility~~responsibility for setting the rules and operating the quality assurance review system.

<sup>14</sup> Statement of Membership Obligations 2 – *International Education Standards for Professional Ac-countants*Accountants and Other Pronouncements Issued by the IAESBAspiring Professional Accountants sets out the requirements of an IFAC member ~~body~~organization with respect to international education standards and other pronouncements issued by the IAESB.~~these~~ International Education Standards. The SMO specifically addresses (Para 9) the situation where an IFAC member ~~body~~organization has no ~~respon-sibility~~responsibility or shared responsibility for adopting and implementing professional accounting.

## *Audit of Financial Statements and Other Assurance Engagements*

A16. IES 8 is applicable to Engagement Partners responsible for the audits of financial statements. The professional competence that is demonstrated by the achievement of the learning outcomes in Table A may also be helpful when performing audits of other historical financial information in compliance with the ISAs or other types of assurance and related services. Similarly, much of the professional competence required for an audit of financial statements may be relevant to those Engagement Partners responsible for assurance engagements relating to non-financial statement information, such as environmental or social measures.

### **Objective** (Ref: Para. 7)

A17. Establishing the professional competence that professional accountants develop and maintain in performing the role of Engagement Partner serves several purposes. It protects the public interest; contributes to audit quality; enhances the work of Engagement Partners; and promotes the credibility of the audit profession.

A18. While a premise of IES 8 is that Engagement Partners have already developed the professional competence to assume that role, Engagement Partners operate in an environment of significant change. Pressure for change can come from many sources, including, but not limited to: (a) increased regulation, (b) developments in financial and non-financial reporting, (c) emerging technologies, (d) increasing use of business analytics, and (e) business complexity. Change requires Engagement Partners to maintain and further develop professional competence throughout their careers.

### **Requirements** (Ref: Para. 8–9)

A19. Table A identifies the competence areas and related learning outcomes for (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes. A competence area is a category for which a set of related learning outcomes can be specified.

A20. Learning outcomes establish the content and depth of knowledge, understanding, and application required for each specified competence area. The achievement of learning outcomes is an output-based approach to measuring CPD. IES 7 provides further guidance in respect of the measurement of CPD<sup>15</sup>.

A21. IES 8 builds on the learning outcomes that describe the professional competence required by aspiring professional accountants by the end of IPD as outlined in IESs 2, 3, and 4<sup>16</sup>.

A22. Other factors in addition to the learning outcomes in Table A may affect the nature, timing, and extent of planned CPD. These factors may include, but are not limited to: (a) an Engagement Partner's portfolio of audit engagements, (b) the extent of any changes in auditing and financial reporting standards, and (c) the impact of any changes in the content of other competence areas noted in Table A.

A23. Irrespective of the size or nature of the audit engagement, and the firm of the Engagement Partner providing the audit, a premise of IES 8 is that Engagement Partners continue to undertake CPD appropriate to the complexity of the audits for which they serve as Engagement Partners.

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<sup>15</sup> IES 7, *Continuing Professional Development* (2020), Para. A19-A27.

<sup>16</sup> IES 2, *Initial Professional Development – Technical Competence* (2021); IES 3, *Initial Professional Development – Professional Skills* (2021); and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021).

A24. IFAC member bodies/organizations may include additional competence areas or require Engagement Partners to achieve additional learning outcomes that are not specified in this IES. This may occur, for example, when an Engagement Partner audits specialized industries or transactions.

#### *Sole Practitioners and Small and Medium Practices*

A25. By focusing on one specific role rather than an engagement team or firm structure, IES 8 recognizes the wide range of situations in which the Engagement Partner operates, including as a sole practitioner or within small and medium practices<sup>17</sup>. In these situations, the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

#### *Audit – Learning Outcomes*

A26. Leading the identification and assessment of risks of material misstatements includes consideration of:

- The risks identified by engagement acceptance and continuance procedures;
- An entity's ability to continue as a going concern;
- The risks of material misstatement due to fraud and error.

A27. Evaluating the response to the risks of material misstatements includes the process of approving or establishing an appropriate overall audit strategy.

A28. Evaluating whether the audit was performed in accordance with International Standards on Auditing or other relevant standards, and with relevant laws and regulations, includes:

- Concluding whether sufficient appropriate audit evidence has been obtained;
- Consideration of significant deficiencies in internal control and in other matters to be communicated to those charged with governance;
- Consideration of bias in management's estimates and other areas of judgment.

#### *Organizational – Learning Outcomes*

A29. Examples of areas where an auditor's expert may be used on an audit include, but are not limited to, taxation, ICT, legal, forensic accounting, valuations, actuarial services, and pensions.

#### *Professional Skepticism and Professional Judgment – Learning Outcomes*

A30. A key aspect of any audit is evaluating whether sufficient and appropriate audit evidence has been obtained to support the conclusions on which the auditor's opinion is based. Professional skepticism involves the application of a questioning mind for the critical assessment of audit evidence. The ISAs also require Engagement Partners and their teams to exercise professional

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<sup>17</sup> IFAC's Small and Medium Practices Committee factsheet defines SMPs as '...practices that exhibit the following characteristics: its clients are mostly small- and medium-sized entities (SMEs); it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff.'

judgment in planning and performing an audit of financial statements. Professional judgment is exercised, for example, when challenging management assertions and assumptions contained within the financial statements, and when considering whether accounting standards are appropriately applied by an entity and determining an appropriate overall audit strategy.

- A31. Planning effective CPD in the areas of professional skepticism and professional judgment involves due care and may include a blend of learning methods in which mentoring, reflective activity, and practical experience play a key role.

**Appendix D: Conforming Amendments – Clean**

**INTERNATIONAL EDUCATION STANDARD 1,  
ENTRY REQUIREMENTS TO PROFESSIONAL ACCOUNTING  
EDUCATION PROGRAMS (2014)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. International Education Standard (IES) 1 prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs, while requirements relating to entry to the profession are covered by:
  - (a) IES 2, *Initial Professional Development – Technical Competence* (2021),
  - (b) IES 3, *Initial Professional Development – Professional Skills* (2021),
  - (c) IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021),
  - (d) IES 5, *Initial Professional Development – Practical Experience* (2015), and
  - (e) IES 6, *Initial Professional Development – Assessment of Professional Competence* (20XX).
2. IES 1 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have responsibility for setting and communicating entry requirements for professional accounting education programs. In addition, this IES 1 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who deliver and support delivery of professional accounting education programs.
3. IES 1 explains the principle of allowing flexible access to professional accounting education programs under the auspices of an IFAC member organization, while ensuring that aspiring professional accountants have a reasonable chance of successful completion of professional accounting education programs. This IES 1 explains (a) reasonable chance of successful completion, (b) the suitability of entry requirements, and (c) different forms of entry requirements.
4. IES 1 recognizes that entry requirements may vary by jurisdiction, due to different pathways through professional accounting education programs, and (b) differences between various jurisdictions in governance and regulatory arrangements. This IES 1 also recognizes that completion of a full, professional qualification is just one of a range of exit points from a professional accounting education program.
5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *International Education Standards Glossary of Terms* (2021).

### Effective Date

6. IES 1 is effective from July 1, 2014.

### Objective (Ref: Para. A4–A6)

7. The objective of this IES 1 is to establish educational entry requirements to professional accounting education programs that are fair, proportionate, and protect the public interest.

### Requirements (Ref: Para. A7–A12)

8. IFAC member organizations shall specify educational entry requirements for professional accounting education programs that will allow entrance only to those with a reasonable chance of successfully

completing the professional accounting education program, while not representing excessive barriers to entry.

9. IFAC member organizations shall explain the rationale for the principles to be used when setting educational entry requirements to stakeholders, including relevant education providers and individuals considering a career as a professional accountant.
10. IFAC member organizations shall make relevant information publicly available to help individuals assess their own chances of successfully completing a professional accounting education program.

## **Explanatory Material**

### **Scope of this Standard** (Ref: Para. 1–5)

- A13. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of Initial Professional Development (IPD). They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member organizations, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member organizations.
- A14. IFAC member organizations have varying levels of control over entry requirements to professional accounting education programs. For example, in some jurisdictions entry requirements may be set by universities or governments. There are various pathways into the accountancy profession. For example, (a) traditional degree level entry, (b) gaining experience by working in industry, and (c) entry from the secondary education level. Moreover, different jurisdictions and IFAC member organizations will have different labor market challenges.
- A15. There are a number of steps an IFAC member organization may take to seek to meet its membership obligations. For example, this might be illustrated by a situation where a university rather than the IFAC member organization sets entry requirements to a professional accounting education program. Here, the IFAC member organization might work with the university to explain the purpose of the IES, and communicate that compliance with its requirements would enable students more easily to be considered for membership in the IFAC member organization.

### **Objective** (Ref: Para. 7)

- A16. All IESs are designed to protect the public interest. This IES 1 does this by dealing with entry requirements to professional accounting education programs, which are important to help individuals considering a career as a professional accountant make informed decisions about their education choices. These entry requirements also provide that access to professional accounting education programs is limited to those likely to succeed. Entry to the accountancy profession is safeguarded by IESs 2, 3, 4, 5, and 6, which cover technical competence, professional skills, professional values, ethics, and attitudes, practical experience, and assessment, and which are designed to ensure that members of the accountancy profession achieve a required level of professional competence.
- A17. This IES 1 serves the public interest by addressing issues relating to the provision of sufficient numbers of high-quality aspiring professional accountants. It does this by setting out principles for

entry requirements for professional accounting education programs that are neither too high (causing unnecessary barriers to entry to the profession), nor too low (causing individuals to believe falsely they have a likelihood of completing the education successfully). Such entry requirements may help with the efficient use of resources and assist individuals considering a career as a professional accountant to make informed career decisions.

- A18. IFAC member organizations can contribute to efficient and effective career decisions by informing individuals considering a career as a professional accountant of the technical competence, professional skills, and professional values, ethics, and attitudes expected of those successfully completing professional accounting education programs. Individuals are only able to make informed decisions when provided with the necessary information. IFAC member organizations may collect and analyze the data on an ongoing basis so that advice to individuals considering a career as a professional accountant can be based on reliable information. The information to be provided by IFAC member organizations may cover:
- (a) Varying entry points to professional accounting education programs;
  - (b) Encouraging individuals considering a career as a professional accountant to commence a professional accounting education program only when they have considered their chances of successful completion;
  - (c) Pass rates relating to the qualification;
  - (d) Transparent information regarding the expectations and costs associated with professional accounting education programs; and
  - (e) Self-diagnostic tools such as competency maps setting out the skills, knowledge, and attitudes to be acquired on successful completion of the professional accounting education program.

**Requirements** (Ref: Para. 8–10)

- A19. Determining a reasonable chance of successful completion is a matter of judgment, depending on number of factors. The intention is to (a) help individuals considering a career as professional accountant be as fully informed as possible when deciding to embark on professional accounting education programs, and to (b) encourage those providing professional accounting education programs to share as much helpful and relevant information as possible. The phrase may be understood differently by each IFAC member organization as regards different professional accounting education programs. IFAC member organizations may set out the key factors for reasonable chance of successful completion, such that the entry requirements for any professional accounting education program provide individuals considering a career as a professional accountant with the necessary foundations to enable them to develop the required competence of a professional accountant. This may involve taking into account factors such as (a) the economic, business, and regulatory environment, (b) the prerequisite knowledge required, (c) the expected learning to be acquired, (d) the role of the accountant, and (e) any other relevant factors.
- A20. The entry requirements may be justified with reference to the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes needed to successfully complete a professional accounting education program. This does not preclude requiring a university degree, or the qualifications needed to commence a university degree. When setting entry requirements, the IFAC member organization may consider whether they are appropriate in

each case, and are neither excessive nor trivial. An excessive barrier to entry may include prescribing specific subject qualifications from certain institutions, or a minimum length of specific work experience. The purpose of avoiding such excessive barriers is to allow flexibility of access to professional accounting education programs, not to dilute standards either of professional accounting education programs themselves or of the accountancy profession. Rather, there is a range of entry and exit routes for professional accounting education programs, and different ways of achieving IPD.

- A21. IFAC member organizations may adopt different entry requirements, because professional accounting education programs vary by jurisdiction and type. For example, some professional accounting education programs may have as entry requirements only a good level of numeracy and literacy. Conversely, the entry requirements of professional accounting education programs for certain specialized roles may specify that an individual must hold a university degree or equivalent.
- A22. Aspiring professional accountants may have developed their (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes through various pathways, including work experience, study, or qualifications. The flexibility of pathways to professional accounting education programs in no way dilutes the rigor of that education, nor of the standards required of aspiring professional accountants to complete IPD. IFAC member organizations may reflect these different pathways by adopting flexible entry requirements that accommodate all those with a reasonable chance of successfully completing a professional accounting education program. The purpose of this flexibility is to allow broad access to professional accounting education programs; it is not intended to create different categories of professional accountant. An example of this flexibility can be found where an IFAC member organization specifies a prequalification entry requirement (e.g., a university degree or equivalent), but allows direct entrance to its professional accounting education program for those without a university degree if they have, for example, a period of relevant practical experience.
- A23. An IFAC member organization may prescribe specific criteria used to determine that individuals meet the entry requirements to a professional accounting education program. These may include qualifications, courses, entry tests, or experience. Entry requirements may include the assessment of one (or a combination) of qualifications, experience, or other requirements deemed appropriate by the IFAC member organization. This information could be made widely available by, for example, publishing it in the brochures for professional accounting education programs; or by including it on the website of the IFAC member organization.
- A24. IFAC member organizations can help individuals considering a career as a professional accountant consider their chances of successfully completing a professional accounting education program by encouraging them to consider the content covered, its level, and methods of assessment of the program.

## INTERNATIONAL EDUCATION STANDARD 2, INITIAL PROFESSIONAL DEVELOPMENT – TECHNICAL COMPETENCE (2021)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A6)

1. This International Education Standard (IES) 2 prescribes the learning outcomes for technical competence that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.
2. This IES 2 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have responsibility for ensuring that IPD meets the requirements of this IES 2. In addition, this IES 2 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. This IES 2 specifies the competence areas and learning outcomes that describe the technical competence required of aspiring professional accountants by the end of IPD. IES 3, *Initial Professional Development – Professional Skills (2021)*, and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes (2021)*, specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants (2015)* are set out in the *International Education Standards Glossary of Terms (2021)*.

### Effective Date

5. IES 2 is effective from January 1, 2021.

### Objective (Ref: Para. A7)

6. The objective of IES 2 is to establish the technical competence that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Technical Competence (Ref: Para. A8–A12)

7. IFAC member organizations shall prescribe the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Technical Competence**

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(a) Financial accounting and reporting (Intermediate)	(i) Apply accounting principles to transactions and other events.
	(ii) Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.
	(iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.
	(iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.
	(v) Interpret financial statements and related disclosures.
	(vi) Interpret reports that include non-financial data and information.
(b) Management accounting (Intermediate)	(i) Prepare data and information to support management decision making on topics including planning and budgeting, cost management, quality control, performance measurement, and comparative analysis.
	(ii) Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.
	(iii) Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.
	(iv) Analyze data and information to support management decision making.
	(v) Evaluate the performance of products and business segments.
(c) Finance and financial management (Intermediate)	(i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.
	(ii) Analyze an organization's cash flow and working capital requirements.
	(iii) Analyze the current and future financial position of an organization, using techniques including ratio analysis, trend analysis, and cash flow analysis.
	(iv) Evaluate the appropriateness of the components used to calculate an organization's cost of capital.

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(v) Apply capital budgeting techniques in the evaluation of capital investment decisions.
	(vi) Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management.
(d) Taxation (Intermediate)	(i) Explain national taxation compliance and filing requirements.
	(ii) Prepare direct and indirect tax calculations for individuals and organizations.
	(iii) Analyze the taxation issues associated with non- complex international transactions.
	(iv) Explain the differences between tax planning, tax avoidance, and tax evasion.
(e) Audit and assurance (Intermediate)	(i) Describe the objectives and phases involved in performing an audit of financial statements.
	(ii) Apply International Standards on Auditing or other relevant auditing standards, laws, and regulations applicable to an audit of financial statements.
	(iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.
	(iv) Apply quantitative methods that are used in audit engagements.
	(v) Identify relevant audit evidence, including contradictory evidence, to inform judgments, make decisions, and reach well-reasoned conclusions.
	(vi) Conclude whether sufficient and appropriate audit evidence has been obtained.
	(vii) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.
(f) Governance, risk management and internal control (Intermediate)	(i) Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and the role of stakeholders in governance, disclosure, and transparency requirements.
	(ii) Analyze the components of an organization’s governance framework.
	(iii) Analyze an organization’s risks and opportunities using a risk management framework.



PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(iv) Analyze the components of internal control related to financial reporting.
	(v) Analyze the adequacy of systems, processes and controls for collecting, generating, storing, accessing, using, or sharing data and information.
(g) Business laws and regulations (Intermediate)	(i) Explain the laws and regulations that govern the different forms of legal entities.
	(ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.
	(iii) Apply data protection and privacy regulations when collecting, generating, storing, accessing, using, or sharing data and information.
(h) Information and communications technologies (Intermediate)	(i) Explain the impact of Information and Communications Technologies (ICT) developments on an organization's environment and business model.
	(ii) Explain how ICT supports data analysis and decision making.
	(iii) Explain how ICT supports the identification, reporting, and management of risk in an organization.
	(iv) Use ICT to analyze data and information.
	(v) Use ICT to enhance the efficiency and effectiveness of communication.
	(vi) Apply ICT to enhance the efficiency and effectiveness of an organization's systems.
	(vii) Analyze the adequacy of ICT processes and controls.
	(viii) Identify improvements to ICT processes and controls.
(i) Business and organizational environment (Intermediate)	(i) Describe the environment in which an organization operates, including the primary economic, legal, regulatory, political, technological, social, and cultural aspects.
	(ii) Analyze aspects of the global environment that affect international trade and finance.
	(iii) Identify the features of globalization, including the role of multinationals and emerging markets.
(j) Economics (Foundation)	(i) Describe the fundamental principles of microeconomics and macroeconomics.
	(ii) Describe the effect of changes in macroeconomic indicators on business activity.

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(iii) Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly.
(k) Business strategy and management (Intermediate)	(i) Explain the various ways that organizations may be designed and structured.
	(ii) Explain the purpose and importance of different types of functional and operational areas within organizations.
	(iii) Analyze the external and internal factors that may influence the strategy of an organization.
	(iv) Explain the processes that may be used to develop and implement the strategy of an organization.
	(v) Explain how theories of organizational behavior may be used to enhance the performance of the individual, team, and the organization.

**Review of Professional Accounting Education Programs** (Ref: Para. A13–A14)

8. IFAC member organizations shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in IES 2.

**Formal Assessment of Technical Competence** (Ref: Para. A15–A16)

9. IFAC member organizations shall be responsible for the design, delivery, and oversight of assessment activities and processes to assess the technical competence of aspiring professional accountants.

**Explanatory Material**

**Scope of this Standard** (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member organization may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.

- A3. The inclusion of technical competence in IPD lays the base for performing a role as a professional accountant. Further development of technical competence is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2020).
- A4. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A5. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include financial accounting and reporting, taxation, and economics; competence areas within professional skills include intellectual and organizational; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A6. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

**Objective** (Ref: Para. 6)

- A7. Establishing the technical competence that aspiring professional accountants need to develop and demonstrate, serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Learning Outcomes for Technical Competence** (Ref: Para. 7)

- A8. Table A lists the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or taxation specialist.
- A9. In the design of professional accounting education programs, the 11 competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area may be achieved across more than one course or subject dedicated to that area. For example, the learning outcomes for financial accounting and reporting may be achieved across two or more financial accounting and reporting courses or subjects. The achievement of some learning outcomes may extend across several different courses or subjects, none of which may be devoted solely to that competence area. For example, the learning outcomes within information and communications technologies may be achieved through the integration of relevant material within courses that focus on management accounting and/ or auditing and assurance. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A. For example, economics is listed towards the end of the list of competence areas in Table A but may be covered fairly early in a professional accounting education program.
- A10. There are many ways to describe and classify levels of proficiency. The description developed for purposes of the IES is provided in Appendix 1, Description of Levels of Proficiency.

- A11. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member organizations design their professional accounting education programs.
- A12. In professional accounting education programs, an IFAC member organization may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in IES 2. This may occur when an IFAC member organization prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

**Review of Professional Accounting Education Programs** (Ref: Para. 8)

- A13. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member organizations, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member organizations.
- A14. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Formal Assessment of Technical Competence** (Ref: Para. 9)

- A15. IES 6, *Initial Professional Development – Assessment of Professional Competence* (20XX), provides the principles that apply to the design, delivery, and oversight of assessment activities used to assess the technical competence and other elements of professional competence.
- A16. Various assessment activities can be used to assess the technical competence of aspiring professional accountants. Assessment activities may include: (a) written examinations, (b) presentations, (c) case studies, (d) simulations, (e) workplace assessments by employers, and (f) a portfolio of evidence on completion of workplace activities. IFAC member organizations may award exemptions from aspects of IPD based on the evaluation of prior learning.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the use of learning outcomes in its publications such as International Education Standards (IESs) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member organizations design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> </ul>

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

**INTERNATIONAL EDUCATION STANDARD 3,  
INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS  
(2021)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A7)

1. International Education Standard (IES) 3 prescribes the learning outcomes for professional skills that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.
2. IES 3 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have responsibility for ensuring that IPD meets the requirements of IES 3. In addition, IES 3 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. IES 3 specifies the competence areas and learning outcomes that describe the professional skills required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2021), and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *International Education Standards Glossary of Terms* (2021).

### Effective Date

5. IES 3 is effective from January 1, 2021.

### Objective (Ref: Para. A8)

6. The objective of IES 3 is to establish the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Professional Skills (Ref: Para. A9–A14)

7. IFAC member organizations shall prescribe the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.



**Table A: Learning Outcomes for Professional Skills**

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(a) Intellectual (Intermediate)	(i) Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
	(ii) Apply critical thinking skills to solve problems, inform judgments, make decisions, and reach well-reasoned conclusions.
	(iii) Identify when it is appropriate to consult with specialists.
	(iv) Recommend solutions to unstructured, multi- faceted problems.
	(v) Respond effectively to changing circumstances or new information to solve problems, inform judgments, make decisions, and reach well- reasoned conclusions.
(b) Interpersonal and communication (Intermediate)	(i) Demonstrate collaboration, cooperation, and teamwork when working towards organizational goals.
	(ii) Communicate clearly and concisely when presenting, discussing, and reporting in formal and informal situations.
	(iii) Demonstrate awareness of cultural and language differences in all communication.
	(iv) Apply active listening and effective interviewing techniques.
	(v) Apply negotiation skills to reach solutions and agreements.
	(vi) Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.
	(vii) Present ideas and influence others to provide support and commitment.
(c) Personal (Intermediate)	(i) Demonstrate a commitment to lifelong learning.
	(ii) Set high personal standards of performance and monitor through reflective activity and feedback from others.
	(iii) Manage time and resources to achieve professional commitments.
	(iv) Anticipate challenges and plan potential solutions.
	(v) Apply an open mind to new opportunities.
	(vi) Identify the potential impact of personal and organizational bias.
(d) Organizational (Intermediate)	(i) Undertake assignments in accordance with established practices to meet prescribed deadlines.

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).

Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
	(ii) Review own work and that of others to determine whether it complies with the organization's quality standards.
	(iii) Apply people management skills to motivate and develop others.
	(iv) Apply delegation skills to deliver assignments.
	(v) Apply leadership skills to influence others to work towards organizational goals.

**Review of Professional Accounting Education Programs** (Ref: Para. A15–A16)

8. IFAC member organizations shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in IES 3.

**Formal Assessment of Professional Skills** (Ref: Para. A17–A19)

9. IFAC member organizations shall be responsible for the design, delivery, and oversight of assessment activities and processes to assess the professional skills of aspiring professional accountants.

**Explanatory Material**

**Scope of this Standard** (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member organization may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A3. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A4. The inclusion of professional skills in IPD lays the base for performing a role as a professional accountant. Further development of professional skills is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2020).
- A5. Within IES 3, professional skills are categorized into four competence areas:

- (a) *Intellectual* relates to the ability of a professional accountant to solve problems, make decisions, adapt to change, and exercise professional judgment;
  - (b) *Interpersonal and communication* relate to the ability of a professional accountant to work and interact effectively with others;
  - (c) *Personal* relates to the personal attitudes and behavior of a professional accountant; and
  - (d) *Organizational* relates to the ability of a professional accountant to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.
- A6. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional skills include intellectual and organizational; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A7. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

**Objective** (Ref: Para. 6)

- A8. Establishing the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

**Learning Outcomes for Professional Skills** (Ref: Para. 7)

- A9. Table A lists the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.
- A10. In the design of professional accounting education programs, the four competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area (for example, organizational) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within intellectual) may extend across several different courses or subjects, none of which may be devoted solely to that competence area.
- A11. There are many ways to describe and classify levels of proficiency. The description developed for purposes of the IESs 2, 3, and 4 is provided in Appendix 1, Description of Levels of Proficiency.
- A12. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide

information to help IFAC member organizations design their professional accounting education programs.

A13. In professional accounting education programs, an IFAC member organization may:

- (a) include additional competence areas;
- (b) increase the level of proficiency for some competence areas; or
- (c) develop additional learning outcomes that are not specified in this IES.

This may occur when an IFAC member organization prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

A14. IFAC member organizations, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional skills, taking into consideration the national and cultural environment. An appropriate approach is likely to include a mixture of learning and development activities which combine structured learning programs and practical experience. For example, practical experience supervisors play an important role in helping aspiring professional accountants to develop professional skills within the workplace.

#### **Review of Professional Accounting Education Programs** (Ref: Para. 8)

A15. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member organizations, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member organizations.

A16. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

#### **Formal Assessment of Professional Skills** (Ref: Para. 9)

A17. IES 6, *Initial Professional Development – Assessment of Professional Competence* (20XX), provides the principles that apply to the design, delivery, and oversight of assessment activities used to assess the professional skills and other elements of professional competence.

A18. Various assessment activities can be used to assess the professional skills of aspiring professional accountants. Work-based simulations or group exercises are examples of activities that enable aspiring professional accountants to develop and demonstrate achievement of learning outcomes related to professional skills, within a professional accounting education program. Practical experience also enables aspiring professional accountants to participate in assessment activities to demonstrate their professional skills. Examples of such activities include: (a) keeping a diary, (b) participating in 360 degree assessments, (c) compiling portfolios of evidence of achievement of learning outcomes, or (d) being monitored by a practical experience supervisor.

- A19. Assessment of professional skills in the workplace may require a different approach to that of written examinations in order to achieve high levels of reliability, authenticity, integrity, validity, transparency, sufficiency, accessibility, equity, and inclusion. For example, assessment design may include:
- (a) Specification of learning outcomes that are clear and detailed in order to minimize ambiguity and increase the reliability and transparency of the assessment;
  - (b) Training of workplace assessors in order to achieve consistency between assessors and equity between aspiring professional accountants; and
  - (c) Creation of work-based simulations in order to provide sufficient, equitable, and reliable assessments of professional skills.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the use of learning outcomes in its publications such as International Education Standards (IESs) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help IFAC member organizations design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> </ul>

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

**INTERNATIONAL EDUCATION STANDARD 4,  
INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL VALUES,  
ETHICS, AND  
ATTITUDES (2021)**

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## Introduction

### Scope of this Standard (Ref: Para. A2–A10)

1. International Education Standard (IES) 4 prescribes the learning outcomes that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD) for professional values, ethics, and attitudes. Professional values, ethics, and attitudes are the characteristics that identify professional accountants as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of professional behavior.
2. IES 4 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have responsibility for ensuring that IPD meets the requirements of IES 4. In addition, IES 4 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Learning and development continue throughout the career of a professional accountant; professional values, ethics, and attitudes achieved during IPD are therefore also relevant to continuing professional development (CPD) as careers of professional accountants change, and professional accountants gain exposure to a wider range of ethical threats.
4. IES 4 integrates relevant ethical requirements into professional accounting education. These relevant ethical requirements ordinarily set out five fundamental principles of ethics<sup>1</sup> (integrity; objectivity; professional competence and due care; confidentiality; and professional behavior).
5. IES 4 specifies the competence areas and learning outcomes that describe the professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2021), and IES 3, *Initial Professional Development – Professional Skills* (2021), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
6. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *International Education Standards Glossary of Terms* (2021). Additional terms from the pronouncements of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) are also included in the Explanatory Material.

### Effective Date

7. IES 4 is effective from January 1, 2021.

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<sup>1</sup> The Fundamental Principles, IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition, Section 110.

**Objective (Ref: Para. A11)**

8. The objective of this IES 4 is to establish the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

**Requirements**

**Framework of Professional Values, Ethics, and Attitudes (Ref: Para. A12–A14)**

9. IFAC member organizations shall provide, through professional accounting education programs, a framework of professional values, ethics, and attitudes for aspiring professional accountants to (a) apply professional skepticism and exercise professional judgment, and (b) act in an ethical manner that is in the public interest.

**Relevant Ethical Requirements (Ref: Para. A15)**

10. IFAC member organizations shall integrate relevant ethical requirements throughout professional accounting education programs for aspiring professional accountants.

**Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref: Para. A16–A31)**

11. IFAC member organizations shall prescribe the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Professional Values, Ethics, and Attitudes**

<b>Competence Area (Level of Proficiency<sup>2</sup>)</b>	<b>Learning Outcomes</b>
(a) Professional skepticism and professional judgment (Intermediate)	(i) Apply an inquiring mind when collecting and assessing data and information.
	(ii) Apply techniques to reduce bias when solving problems, informing judgments, making decisions, and reaching well-reasoned conclusions.
	(iii) Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
(b) Ethical principles (Intermediate)	(i) Explain the nature of ethics.
	(ii) Explain the advantages and disadvantages of rules- based and principles-based approaches to ethics.
	(iii) Identify threats to compliance with the fundamental principles of ethics.
	(iv) Evaluate the significance of threats to compliance with the

<sup>2</sup> The level of proficiency for a competence area identifies the level to be achieved by the end of IPD (as outlined in Appendix 1).

Competence Area (Level of Proficiency <sup>2</sup> )	Learning Outcomes
	fundamental principles of ethics and respond appropriately.
	(v) Apply fundamental principles of ethics when collecting, generating, storing, accessing, using, or sharing data and information.
	(vi) Apply the relevant ethical requirements to professional behavior in compliance with standards. <sup>3</sup>
(c) Commitment to the public interest (Intermediate)	(i) Explain the role and importance of ethics within the profession and in relation to the concept of social responsibility.
	(ii) Explain the role and importance of ethics in relation to business and good governance.
	(iii) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
	(iv) Analyze the consequences of unethical behavior to the individual, the profession, and the public.

**Review of Professional Accounting Education Programs** (Ref: Para. A32–A33)

12. IFAC member organizations shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in IES 4.

**Reflective Activity** (Ref: Para. A34–A38)

13. IFAC member organizations shall design learning and development activities on professional values, ethics, and attitudes for aspiring professional accountants to include reflective activity that is formalized and documented.

**Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. A39–A42)

14. IFAC member organizations shall be responsible for the design, delivery, and oversight of assessment activities and processes to assess the professional values, ethics, and attitudes of aspiring professional accountants.

**Explanatory Material**

**References to Definitions Contained within IAASB and IESBA Pronouncements**

15. This IES uses the following terms already defined within IAASB and IESBA pronouncements.

<sup>3</sup> Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.

**Table B: IAASB and IESBA Definitions Adopted in IES 4**

Defined Term	Definition in IAASB and IESBA Pronouncements
Professional Skepticism (IAASB) <sup>4</sup>	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
Professional Judgment (IESBA) <sup>5</sup>	Professional judgment involves the application of relevant training, professional knowledge, skills and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved.

**Scope of this Standard** (Ref: Para. 1–6)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Professional values, ethics, and attitudes are defined as the professional behavior and characteristics that identify professional accountants as members of a profession. These include the ethical principles generally associated with, and considered essential in, defining the distinctive characteristics of professional behavior.
- A3. Professional values, ethics, and attitudes include a commitment to (a) technical competence and professional skills, (b) ethical behavior (e.g., independence, objectivity, confidentiality, and integrity), (c) professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), (d) pursuit of excellence (e.g., commitment to continual improvement and lifelong learning), and (e) social responsibility (e.g., awareness and consideration of the public interest).
- A4. Relevant ethical requirements<sup>6</sup> are defined as those ethical requirements to which professional accountants are subject, which ordinarily comprise the *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants* (IESBA Code) together with any national requirements that are more restrictive.

<sup>4</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2018 Edition, Volume I*.

<sup>5</sup> *IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition, Para. 120.5 A1*.

<sup>6</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2018 Edition, Volume I*.

- A5. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A6. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member organization may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A7. The inclusion of professional values, ethics, and attitudes in IPD lays the base for performing a role as a professional accountant. Further development of professional values, ethics, and attitudes is a focus of CPD that is covered in IES 7, *Continuing Professional Development* (2020).
- A8. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional skills include intellectual and organizational.
- A9. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or a professional accounting education program.

**Objective** (Ref: Para. 8)

- A10. Establishing the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Framework of Professional Values, Ethics, and Attitudes** (Ref: Para. 9)

- A11. A framework of professional values, ethics, and attitudes may be established by the relevant ethical requirements, for example the conceptual framework approach set out in the IESBA Code.
- A12. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Consequently, the actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.
- A13. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member organizations promote a commitment for the aspiring professional accountant to act in the public interest. Acting in the public interest includes: (a) developing an awareness and concern for impact on the public; (b) developing a sensitivity to social responsibilities; (c) lifelong learning; (d) a predisposition to quality, reliability, responsibility, timeliness, and courtesy; and (e) a respect for laws and regulations. Consequently, professional accountants contribute to confidence and trust in the functioning of markets and the economy in general.

**Relevant Ethical Requirements** (Ref: Para. 10)

A14. Within a professional accounting education program, professional values, ethics, and attitudes may initially be treated as a separate course or subject. However, as aspiring professional accountants progress, the integration of professional values, ethics, and attitudes with other courses or subjects, encourages the recognition and consideration of wider ethical implications.

**Learning Outcomes for Professional Values, Ethics, and Attitudes** (Ref: Para. 11)

*Developing Learning Outcomes*

- A15. Table A lists the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.
- A16. IAASB pronouncements govern audit, review, assurance, and related service engagements that are conducted in accordance with international standards. Although the term professional skepticism is defined specifically within the context of audit and assurance engagements, the attitudes, skills and behaviors that contribute to professional skepticism are relevant to all aspiring professional accountants, regardless of their future role as a professional accountant. As a result, IPD includes learning and development activities that address the skills, attitudes, and behaviors necessary for aspiring professional accountants to have the ability to apply professional skepticism. The skills, attitudes, and behaviors contributing to professional skepticism are further developed following IPD, through CPD.
- A17. In the design of professional accounting education programs, the three competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also the learning outcomes associated with one competence area (for example, ethical principles) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within professional skepticism and professional judgment) may extend across several different courses or subjects, none of which may be devoted solely to that competence area. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A (for example, commitment to the public interest is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program).
- A18. There are many ways to describe and classify levels of proficiency. The description developed for the purposes of the IESs 2, 3, and 4 is provided in Appendix 1, Description of Levels of Proficiency.
- A19. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member organizations design their professional accounting education programs.
- A20. In professional accounting education programs, an IFAC member organization may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or

(c) develop additional learning outcomes that are not specified in IES 4. This may occur when an IFAC member organization prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

#### *Selecting Learning and Development Activities*

- A21. IFAC member organizations, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional values, ethics, and attitudes, taking into consideration the national and cultural environment.
- A22. In determining the approach to achieving the learning outcomes, the mix of learning and development activities may include a combination of structured learning programs and practical experience. This combination may be organized to give aspiring professional accountants an adequate opportunity to experience the application of professional values, ethics, and attitudes in the workplace.
- A23. In establishing learning and development activities, IFAC member organizations, educators, and other stakeholders may distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and maintaining an appropriate environment for ethical behavior. Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning.
- A24. IFAC member organizations, educators, and other stakeholders may consider using participative approaches that can enhance the development of professional values, ethics, and attitudes. These may include but would not be restricted to:
- (a) Role playing;
  - (b) Discussion of selected readings and online materials;
  - (c) Analysis of case studies that involve business situations involving ethical threats;
  - (d) Discussion of disciplinary pronouncements and findings;
  - (e) Seminars using speakers with experience of corporate or professional decision making; and
  - (f) Use of online forums and discussion boards.
- A25. Participative approaches may lead aspiring professional accountants to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions.

#### *Professional Skepticism and Professional Judgment*

- A26. Professional development in the areas of professional skepticism and professional judgment is not always straightforward. Planning effective learning and development in these areas involves due care and may include learning methods in which mentoring, reflective activity, time, and practical experience play a key role.

#### *Ethical Principles*

- A27. Professional values, ethics, and attitudes apply to everything that professional accountants undertake in their professional capacity. Having (a) knowledge and understanding of ethical concepts, ethical theories, and the fundamental principles of professional ethics, and (b) the opportunity to practice their application in a non-workplace setting can help aspiring professional accountants to recognize and address ethical threats.
- A28. Learning and development for aspiring professional accountants on ethical principles and threats may address: (a) particular ethical threats likely to be faced by all professional accountants, (b) those ethical threats more likely to be encountered by professional accountants in their respective roles, and (c) key considerations in developing appropriate responses to such ethical threats.
- A29. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants to: (a) identify any apparent ethical implications and conflicts in their work or work environment, (b) form preliminary views on such occurrences, and (c) discuss them with their practical experience supervisors.
- A30. Ethical threats and potential dilemmas for aspiring professional accountants are likely to occur within the period of practical experience. Those responsible for designing and supervising practical experience programs may provide guidance to aspiring professional accountants about the need to consult employers, mentors, or supervisors within their work environment or an IFAC member organization, where there is doubt about the ethical aspects of a course of action or situation.

**Review of Professional Accounting Education Programs** (Ref: Para. 12)

- A31. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member organizations, and employers, as well as workplace training. The design of professional accounting education programs offered during IPD may therefore involve substantive input from stakeholders other than IFAC member organizations.
- A32. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Reflective Activity** (Ref: Para. 13)

- A33. Reflective activity is the iterative process by which professional accountants, at all stages of their career, continue to develop their professional competence by reviewing their experiences (real or simulated) with a view to improving their future actions.
- A34. The most realistic experiences on which to reflect may occur in the workplace. Where this is not possible or appropriate, simulations of “real life” experiences, or consideration of relevant cases that are in the public domain may also offer suitable alternatives.
- A35. The documentation of reflective activity may include:
- (a) Records of learning;
  - (b) Reflective records;



- (c) Personal development portfolios; or
  - (d) Critical incident diaries.
- A36. In providing guidance to aspiring professional accountants and professional accountants on the nature, format, and content of documentation to be maintained for reflective activity and the types of ethical situations to be documented, IFAC member organizations may consider factors, for example confidentiality, legal, and regulatory requirements. For example, certain ethical situations could be sensitive and subject to legal or disciplinary actions and would therefore not be suitable for aspiring professional accountants to document and discuss.
- A37. IFAC member organizations may also consider providing guidance on how to support reflective activity in practice for practical experience supervisors.

**Formal Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. 14)

- A38. IES 6, *Initial Professional Development – Assessment of Professional Competence* (20XX) provides the principles that apply to the design, delivery, and oversight of assessment activities used to assess the professional values, ethics, and attitudes and other elements of professional competence.
- A39. Various assessment activities can be used to assess the professional values, ethics, and attitudes of aspiring professional accountants. Assessment activities may include: (a) written examinations, (b) presentations, (c) case studies, (d) simulations, (e) workplace assessments by employers, and (f) a portfolio of evidence on completion of workplace activities. . IFAC member organizations may award exemptions from aspects of IPD based on the evaluation of prior learning.
- A40. In addition to written examinations, there are a number of other means by which assessment within a formal education environment during IPD may be carried out, including:
- (a) Creating repositories of case studies and requiring aspiring professional accountants to complete tests based on these case studies;
  - (b) Using a case analysis system that requires aspiring professional accountants to maintain journals and notes on particular public domain cases; and
  - (c) Using case study group assignments and workshops to assess ethical analysis and decision-making.
- A41. Workplace assessment differs from, and in many respects is more difficult than, assessment within a formal education environment. The means for assessing the development of professional values, ethics, and attitudes in the workplace may include:
- (a) Discussion and facilitated resolution of ethical threats as they arise in the workplace; and
  - (b) Reviews of ethical decision-making combined with performance reviews and appraisals.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member organizations design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non- accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder</li> </ul>

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide- range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

**INTERNATIONAL EDUCATION STANDARD 5,  
INITIAL PROFESSIONAL DEVELOPMENT – PRACTICAL EXPERIENCE  
(2015)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A4)

1. International Education Standard (IES) 5 prescribes the practical experience that aspiring professional accountants are required to complete by the end of Initial Professional Development (IPD).
2. IES 5 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have responsibility for ensuring that IPD meets the requirements set out in IES 5. In addition, IES 5 may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the practical experience of aspiring professional accountants.
3. Practical experience refers to workplace and other activities that are relevant to developing professional competence. Practical experience is a component of IPD. IPD is learning and development through which aspiring professional accountants first develop professional competence leading to perform a role as a professional accountant.
4. Practical experience during IPD builds on general education and professional accounting education programs. The public expects professional accountants to apply their experience and knowledge in carrying out their roles. However, the variety of roles that professional accountants perform means that the required practical experience may vary from one IFAC member organization to another, and even within an individual IFAC member organization that offers different types of membership. IFAC member organizations are able to adapt practical experience requirements to meet (a) their own needs, (b) the requirements of the relevant regulatory authorities, as well as (c) public expectations that professional accountants are competent.
5. After the completion of IPD, practical experience may be required to bring professional accountants to a level of professional competence needed for other roles, such as (a) that of a statutory auditor, (b) other forms of specialization, or those roles that are regulated. Practical experience is a part of the lifelong learning that professional accountants engage in to develop and maintain professional competence relevant to their role during Continuing Professional Development (CPD). Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, *Continuing Professional Development* (2020).
6. Practical experience supervisors and employers have important roles in planning and monitoring practical experience gained by aspiring professional accountants.
7. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021).

### Effective Date

8. IES 5 is effective from July 1, 2015.

## **Objective (Ref: Para. A5–A6)**

9. The objective of IES 5 is to establish the practical experience that is sufficient for aspiring professional accountants, and needs to be completed by the end of IPD, in order to perform a role as a professional accountant.

## **Requirements**

### **Practical Experience (Ref: Para. A7–A9)**

10. IFAC member organizations shall require that aspiring professional accountants complete practical experience by the end of IPD.
11. IFAC member organizations shall require sufficient practical experience to enable aspiring professional accountants to demonstrate that they have gained the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes necessary for performing a role of a professional accountant.
12. IFAC member organizations shall establish their preferred approach to measure practical experience using one of the following three approaches:
  - Output-based;
  - Input-based; or
  - A combination approach.

#### *Output-Based Approach (Ref: Para. A10)*

13. Those IFAC member organizations implementing an output-based approach shall require aspiring professional accountants to demonstrate, using output measures, that they have obtained practical experience.

#### *Input-Based Approach (Ref: Para. A11–A13)*

14. Those IFAC member organizations implementing an input-based approach shall require aspiring professional accountants to demonstrate, using input measures, that they have obtained practical experience.

#### *Combination Approach (Ref: Para. A14)*

15. Those IFAC member organizations implementing a combination of output- and input- based approaches shall comply with the requirements of output- and input- based approaches, as applicable, set out in paragraphs 13 and 14.

### **Practical Experience Supervision and Monitoring (Ref: Para. A15–A21)**

16. IFAC member organizations shall require that practical experience of aspiring professional accountants be conducted under the direction of a practical experience supervisor.
17. IFAC member organizations shall require that practical experience of aspiring professional accountants is recorded in a consistent form prescribed by an IFAC member organization or, where applicable, a regulatory organization, and is supported by verifiable evidence.

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL  
COMPETENCE

18. IFAC member organizations shall require that the practical experience supervisor undertake a periodic review of the records of practical experience of aspiring professional accountants.
19. IFAC member organizations shall establish appropriate assessment activities to assess that sufficient practical experience has been completed by aspiring professional accountants.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–7)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to a performing role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Professional accounting education programs are designed to support aspiring professional accountants develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other education providers, IFAC member organizations, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member organizations.
- A3. Professional competence can be described and categorized in many different ways. Within the IES, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A4. Practical experience provides a professional environment in which aspiring professional accountants develop competence by:
- (a) Becoming aware of the environment in which services are provided;
  - (b) Enhancing their understanding of organizations, how business works, and professional work relationships;
  - (c) Being able to relate accounting work to other business functions and activities;
  - (d) Developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021)); and
  - (e) Having an opportunity to develop at progressive levels of responsibility while under appropriate levels of supervision.

### Objective (Ref: Para. 9)

- A5. Sufficient practical experience has a blend of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts. The breadth of practical experience is affected by factors such as: nature of role; level of complexity; national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence. The depth of practical experience is affected by factors such as the variety and complexity of tasks as well as the level of supervisory and monitoring support.



- A6. Establishing what constitutes the sufficient practical experience that aspiring professional accountants need to complete by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

**Practical Experience** (Ref: Para. 10–12)

- A7. IPD builds on general education and includes professional accounting education, practical experience, and assessment. The exact combination of these components may vary depending on a range of factors including, for example, the complexity and variety of tasks, special knowledge required, level of autonomy, and the level of judgment required by the role the aspiring professional accountant is expected to undertake at the end of IPD. The combination of practical experience and education might also vary according to (a) rules established by individual IFAC member organizations, (b) national and local laws, (c) the requirements of regulatory authorities, and (d) public expectations.
- A8. In determining what constitutes an appropriate balance between professional accounting education and practical experience, IFAC member organizations may consider the following:
- (a) Some professional accounting education programs that place a strong emphasis on practical application, such as traineeships, internships, cooperative education work periods, and secondments, may contribute to the practical experience requirement.
  - (b) Study for academic or professional qualifications is useful for acquiring and demonstrating professional accountancy knowledge. However, by itself, study does not necessarily demonstrate achievement of the professional competence to perform a role as a professional accountant. Experience gained at work equips aspiring professional accountants with many of the skills needed to become competent professional accountants.
  - (c) Practical experience may be obtained after completion of a professional accounting education program or concurrently with such a program.
- A9. In setting the approach and requirements for practical experience, IFAC member organizations may consider a number of factors, including:
- (a) The public interest, including knowledge of the local environment, public expectations, and any relevant regulatory requirements;
  - (b) The needs of the aspiring professional accountants, including an understanding of the roles that they are expected to undertake upon completion of IPD;
  - (c) The needs of the employer, including efficiency and cost-effectiveness, and whether that employer is in industry, government, or public practice; and
  - (d) The needs of the IFAC member organization, including regulatory requirements, efficiency, and cost-effectiveness.

*Output-Based Approach* (Ref: Para. 13)

- A10. The evidence that could be used for assessment purposes in an output-based approach during IPD could include:
- (a) Measurement of learning outcomes achieved in accordance with a competency map;

- (b) Reviews of a research project or reflective essay; and
- (c) Work logs compared against an appropriate competency map. Work logs are records maintained by individuals, which document the nature of assignments, tasks completed, and time incurred in completing those assignments and tasks.

*Input-Based Approach* (Ref: Para. 14)

- A11. Input-based approaches are often used as a proxy for measuring development of competence due to their ease of measurement and verification. Input-based approaches have limitations; for example, they do not always directly measure the learning outcomes or competence developed. Traditionally, input-based approaches are based on time, for example, hours spent on relevant activities, or total duration (days, months, or years) of practical experience.
- A12. Evidence that could be used for measurement in an input-based approach includes attendance records, time sheets, workplace diaries, and a work log or journal. IFAC member organizations setting a requirement using an input-based approach may consider the structure and relevance of education programs completed by aspiring professional accountants. Professional accounting education programs that deliver outcomes similar to the outcomes derived from measured work-based experience (such as internships) may contribute to the total requirement for practical experience. Equally, where a substantial professional accounting education program has been completed, such as a Master's degree in accounting, an IFAC member organization may elect to reduce the practical experience component. For example, an IFAC member organization choosing the input-based approach might consider three years of practical experience (as preferred and implemented by several IFAC member organizations), or two years with a Master's degree in accounting or other relevant subject, or a minimum of five years total of combined accounting education and sufficient practical experience.
- A13. Regardless of the balance of the component parts, there is typically an expectation by the public that a professional accountant has completed a professional accounting education program and has obtained sufficient practical experience.

*Combination Approach* (Ref: Para. 15)

- A14. Approaches that combine input-based and output-based approaches might be constructed by the IFAC member organization. Input units might be considered as contributing to the professional competences being measured. Achievement of particular competences might either be used to verify input, or in some cases replace a portion of the input requirement.

**Practical Experience Supervision and Monitoring** (Ref: Para. 16–19)

- A15. A practical experience supervisor is a professional accountant who is responsible for guiding, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience. Practical experience supervisors can represent an important link between aspiring professional accountants and IFAC member organizations. They may be responsible for planning the practical experience period, and provide guidance to aspiring professional accountants. In some environments practical experience supervisors may also provide mentoring support to aspiring professional accountants. IFAC member organizations may provide training for practical experience supervisors, and put in place both assistance and quality control programs.

- A16. Practical experience supervisors may be assisted in performing the monitoring function by others, some of whom may not be professional accountants.
- A17. Verifiable evidence is evidence that is objective, and capable of being proven and retained.
- A18. The purpose of the periodic review by the practical experience supervisor of the record of practical experience, supported by verifiable evidence, is to check that requirements set by the IFAC member organization or regulatory authority are being met. In addition, this periodic review can also be used to monitor an individual's progress. If the aspiring professional accountant's progress does not match expectations, the practical experience supervisor has an opportunity to review the situation to discover the reasons why and what can be done to improve progress. This periodic monitoring will (a) provide an opportunity for the practical experience supervisor, the employer, and the aspiring professional accountant to review the practical experience obtained to date, and (b) contribute to future development of the aspiring professional accountant.
- A19. In assessing the sufficiency of the practical experience acquired by aspiring professional accountants, IFAC member organizations may consider the following activities:
- (a) Establishing a system, which may take a sampling approach, to monitor and report the practical experience obtained;
  - (b) Providing detailed written guidance for employers, practical experience supervisors, and aspiring professional accountants regarding the program of practical experience and their respective roles and responsibilities;
  - (c) Establishing a mechanism for approving the suitability of employers to provide the appropriate practical experience for aspiring professional accountants;
  - (d) Assessing and approving the practical experience environment before commencement of experience. For example, the nature and scope of practical experience and the training arrangements of employers can be reviewed to ensure that aspiring professional accountants would receive appropriate direction, supervision, mentoring, counseling, and evaluation;
  - (e) Establishing a system of periodic reporting by employers to cover changes, if any, in the planned nature, scope, and content of practical experience undertaken by aspiring professional accountants;
  - (f) Assessing, prior to completion of IPD, the practical experience gained, based on written submissions (possibly supported by oral submissions) made by aspiring professional accountants and practical experience supervisors (see also IES 6, *Initial Professional Development – Assessment of Professional Competence* (20XX));
  - (g) Encouraging employers to provide feedback to aspiring professional accountants and to practical experience supervisors, and to communicate when competences have been achieved;
  - (h) Monitoring previously approved employers and practical experience supervisors. IFAC member organizations may advise on areas for improvement or might recommend withdrawal of approval if conditions have so changed that relevant experience criteria are not being met; and

- (i) Undertaking a periodic and timely study of the competences required by professional accountants to help to ensure that sufficient practical experience is acquired and supported by verifiable evidence, e.g., a work log.
- A20. IES 6, *Initial Professional Development – Assessment of Professional Competence* (20XX) provides the principles that apply to the design of assessment activities used to assess the sufficiency of practical experience.
- A21. Various activities can be used to assess the sufficiency of practical experience of aspiring professional accountants. Assessment activities of learning outcomes may include workplace assessments as presented in IES 2, *Initial Professional Development – Technical Competence* (2021), IES 3, *Initial Professional Development – Professional Skills* (2021) and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021) in their respective areas of focus within IPD.

## INTERNATIONAL EDUCATION STANDARD 7, CONTINUING PROFESSIONAL DEVELOPMENT (2020)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A6)

1. International Education Standard (IES) 7 prescribes the Continuing Professional Development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the accountancy profession.
2. CPD is learning and development that takes place after Initial Professional Development (IPD), and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD includes learning and development activities that are relevant to the roles of professional accountants, such as: (a) education, (b) training, (c) practical experience, (d) mentoring and coaching, (e) networking, (f) observation, feedback, and reflective activities, and (g) self-development activities.
3. Professional competence requirements may change as professional accountants take on new roles during their careers. CPD that includes many of the same elements as IPD also develops the additional breadth and depth of professional competence which may be necessary when moving into new roles.
4. IES 7 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have a responsibility for the CPD of professional accountants as set out in the requirements of IES 7. In addition, IES 7 will be helpful to professional accountants, employers, regulators, government authorities, educational organizations, and any other stakeholders who support the CPD of professional accountants.
5. It is the responsibility of professional accountants to develop and maintain professional competence by undertaking relevant CPD activities. However, IES 7 is addressed to IFAC member organizations because their role is to help professional accountants develop and maintain the professional competence necessary to protect the public interest through:
  - (a) Adopting prescribed CPD requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures;
  - (b) Promoting the importance of, and a commitment to, lifelong learning among professional accountants; and
  - (c) Facilitating access to CPD opportunities and resources for professional accountants.
6. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021).

### Effective Date

7. IES 7 is effective from January 1, 2020.

### **Objective (Ref: Para. A7–A8)**

8. The objective of IES 7 is to establish that professional accountants undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant.

### **Requirements**

#### **CPD for Professional Accountants (Ref: Para. A9–A15)**

9. IFAC member organizations shall require professional accountants to undertake and record relevant CPD that develops and maintains professional competence necessary to perform their role as a professional accountant.

#### **Promotion of, and Access to, CPD (Ref: Para. A16–A18)**

10. IFAC member organizations shall promote the importance of, and a commitment to, CPD and the development and maintenance of professional competence.
11. IFAC member organizations shall facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility to undertake CPD that develops and maintains professional competence.

#### **Measurement of CPD (Ref: Para. A19–A20, A27)**

12. IFAC member organizations shall establish an approach to measurement of professional accountants' CPD using the output-based approach, input-based approach, or both.

#### *Output-Based Approach (Ref: Para. A21–A23)*

13. IFAC member organizations using an output-based approach shall require professional accountants to develop and maintain professional competence that is demonstrated by achieving learning outcomes relevant to performing their role as a professional accountant.

#### *Input-Based Approach (Ref: Para. A24–A26)*

14. IFAC member organizations using an input-based approach shall require professional accountants to develop and maintain professional competence that is demonstrated by completing a specified amount of learning and development activity relevant to performing their role as a professional accountant.

#### **Monitoring and Enforcement of CPD (Ref: Para. A28–A42)**

15. IFAC member organizations shall specify the nature and extent of verifiable evidence that professional accountants are required to maintain for CPD that has been undertaken.
16. IFAC member organizations shall establish a systematic process to (a) monitor whether professional accountants meet the IFAC member organization's CPD requirements, and (b) provide appropriate sanctions for failure to meet those requirements.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–6)

- A1. Within the IESs, a professional accountant is an individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority. The accountancy profession includes, but is not limited to:
- (a) Preparing, analyzing, and reporting relevant and faithfully represented financial and non-financial information;
  - (b) Partnering in decision making, and in formulating and implementing organizational strategies;
  - (c) Auditing financial and non-financial information, and providing other assurance and advisory services; and
  - (d) Preparing and analyzing relevant tax information.
- A2. Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of learning outcomes for: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A3. Undertaking CPD does not guarantee that a professional accountant will develop and maintain professional competence necessary to provide high- quality professional services. However, CPD plays an important part in strengthening public confidence and trust by enabling a professional accountant to develop and maintain professional competence that is relevant to their role as a professional accountant.
- A4. Professional accountants are expected to develop and maintain professional competence as they anticipate and adapt to changes in processes, technology, professional standards, regulatory requirements, employer demands, and other areas. In supporting professional accountants in meeting these expectations, IFAC member organizations may periodically review their CPD policies and the application of IES 7.
- A5. A well-established program of CPD that is measured, monitored, evaluated, and enforced may form part of an IFAC member organization's quality assurance processes. These quality assurance processes may include quality assurance reviews of professional accountants' work (which may include a review of the CPD undertaken by professional accountants), investigation, and disciplinary processes.
- A6. Lifelong learning represents the on-going pursuit of (a) technical competence; (b) professional skills; and (c) professional values, ethics, and attitudes. Lifelong learning is critical if professional accountants are to meet public interest expectations.

### Objective (Ref: Para. 8)

- A7. Establishing that professional accountants undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant serves several purposes. It helps protect the public interest, supports the performance of high quality



services for clients, employers, and other stakeholders, and promotes the credibility of the accountancy profession.

- A8. CPD is necessary for professional accountants, regardless of sector or size of the organization in which they operate, because:
- (a) Professional accountants have an obligation of professional competence and due care to their clients, employing organizations, and relevant stakeholders, and are expected to perform competently within their professional environment;
  - (b) Professional accountants are subject to public scrutiny and contribute to the maintenance of public trust;
  - (c) The public is likely to rely on the designation and professional standing of the professional accountant. Lack of competence has the potential to damage the reputation and standing of the professional accountant, the employer, IFAC member organizations, and the accountancy profession as a whole;
  - (d) Rapidly changing environments drive the need to develop new areas of professional competence; and
  - (e) Employers recruiting professional accountants may rely on the professional designation as evidence of professional competence.

**CPD for Professional Accountants** (Ref: Para. 9)

- A9. CPD that is relevant facilitates effective learning and development for professional accountants. CPD is relevant where it is closely aligned with the responsibilities of a professional accountant's role and helps develop and maintain the professional competence necessary to perform that role.
- A10. Acknowledging that professional accountants have differing learning and development needs, IFAC member organizations may develop CPD frameworks that can provide structure, guidance, or explanation of concepts in order to support the learning and development of professional accountants. CPD frameworks may help professional accountants identify, undertake, and record relevant CPD. For example, a CPD framework may include the following structure for professional accountants to follow:
- (a) Perform self-assessment activities to identify relevant learning outcomes and personal development gaps;
  - (b) Plan for, complete, and record learning and development activities;
  - (c) Evaluate and undertake reflective activity on completed learning and development activities; and
  - (d) Revise the learning and development plan accordingly.
- A11. IFAC member organizations may provide other tools to help professional accountants identify, plan, and record relevant CPD, such as:
- (a) Competency maps, which provide a list of key competences for certain roles or sectors of the accountancy profession;
  - (b) Learning plan templates, which assist professional accountants to identify learning and development needs, including learning outcomes, and plan how to meet them; and

- (c) Learning record examples that guide professional accountants in recording their learning and development activities.
- A12. IFAC member organizations may provide guidance that encourages professional accountants to discuss their CPD with employers, colleagues, IFAC member organizations, and other professional organizations. Such discussions may help identify competence gaps or learning and development gaps, together with learning outcomes that can be used to identify relevant learning opportunities to meet those needs.
- A13. IFAC member organizations may choose to develop requirements or guidance on learning and development activities or learning outcomes they consider relevant to the roles and functions of professional accountants in their jurisdiction. IFAC member organizations may also prescribe specific or additional CPD or learning outcomes for:
- (a) Specific competence areas or topics (e.g., financial accounting and reporting);
  - (b) Professional accountants working in specialist areas or performing specialist or specific roles (e.g., a tax preparer); and
  - (c) Competence areas considered to be most relevant to the protection of the public interest.
- A14. Given the significance of the audit engagement partner role to the public interest, IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements*<sup>1</sup> (2021) prescribes the professional competence that professional accountants are required to develop and maintain as part of a specified role.
- A15. In setting the requirement for CPD, IFAC member organizations may consider what is relevant for professional accountants in special circumstances, for example:
- For individuals on career breaks; and
  - For individuals who have retired from full-time practice, and who continue to do work in some capacity as professional accountants.

**Promotion, of and Access to, CPD** (Ref: Para. 10–11)

- A16. The following represent examples of activities that may contribute to the promotion of CPD and the development and maintenance of professional competence:
- (a) Communicating the value of CPD regularly to professional accountants;
  - (b) Encouraging the use of a CPD framework by professional accountants to support relevant learning and development;
  - (c) Promoting the variety of CPD opportunities available to professional accountants;
  - (d) Working with employers to emphasize the importance of CPD within performance management processes; and
  - (e) Working with local regulators and other licensing authorities to promote awareness of, and compliance with, local CPD requirements.

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<sup>1</sup> IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (2021), Para. 1.

- A17. IFAC member organizations may directly provide relevant CPD programs for professional accountants and facilitate access to programs offered by others, including employers.
- A18. The following represent examples of planned and unplanned learning and development activities that IFAC member organizations may promote for CPD:
- (a) Undertaking educational programs or training events, such as in- person learning courses (delivered live or virtually), e-learning courses, conferences, and seminars;
  - (b) Reflecting on practical experiences and developing personal development plans through self- assessment activities;
  - (c) Receiving on-the-job training, performance feedback, or professional development guidance from a mentor or coach;
  - (d) Providing on-the-job training, performance feedback, or professional development guidance as a mentor or coach;
  - (e) Participating in, and working on, professional boards, technical committees, sector activities, information networks, communities of practice, or other similar groups;
  - (f) Writing articles, papers, or books of a technical, professional, or academic nature;
  - (g) Researching subject matter, including reading professional literature and journals, for application in the professional accountant’s role;
  - (h) Studying for professional exams, re-examination, or other formal testing; and
  - (i) Designing, developing, reviewing, or teaching in-person learning courses (delivered live or virtually), e-learning courses, conferences, seminars, or other educational programs and training events.

**Measurement of CPD** (Ref: Para. 12)

- A19. Measurement includes evaluating evidence of CPD in terms of the achievement of learning outcomes or completion of a specified amount of learning and development activities related to (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A20. In determining the approach for measuring CPD, IFAC member organizations may consider a number of factors, including:
- (a) Public interest considerations, including local environmental issues, public expectations, and relevant regulatory requirements; and
  - (b) Learning and development needs of professional accountants in the jurisdiction, including an understanding of the range of roles that professional accountants perform.

*Output-Based Approach* (Ref: Para 13)

- A21. An output-based approach measures CPD by determining whether professional accountants can demonstrate the achievement of learning outcomes. The measurement focus is on what professional accountants achieved from having undertaken learning and development activities. Paragraph A31 provides examples of verifiable evidence that could be used to demonstrate that learning outcomes have been achieved.

- A22. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for a specified competence area. Learning outcomes can be achieved through planned and unplanned learning and development activities, and are relevant where they are closely aligned with the responsibilities of a professional accountant's role and help to develop and maintain the professional competence necessary to perform that role.
- A23. The output-based approach includes the establishment of clearly defined learning outcomes that are relevant to a professional accountant's role. Learning outcomes may be established by a number of sources, including:
- (a) IFAC member organizations;
  - (b) Professional accountants themselves, when undertaking self-assessment activities;
  - (c) Employers;
  - (d) Licensing regimes;
  - (e) Regulatory organizations; and
  - (f) CPD Providers.

*Input-Based Approach (Ref: Para. 14)*

- A24. An input-based approach measures CPD in terms of hours or equivalent learning units. For example, IFAC member organizations may establish requirements for each professional accountant to:
- (a) Complete a predetermined number of hours of learning (or equivalent units) within a rolling period of time; or
  - (b) Complete a specified amount of relevant learning or professional development activity in each year.

Paragraph A32 provides examples of verifiable evidence that could be used to demonstrate that learning and development activities were completed, and were relevant to the professional accountant's role.

- A25. IFAC member organizations using an input-based approach expect professional accountants to develop and maintain professional competence, through the undertaking of a specified amount of CPD. For example, an IFAC member organization may set a requirement of at least 120 hours (or equivalent learning units) of relevant CPD in each rolling three-year period, of which 60 hours (or equivalent learning units) would be verifiable; and a minimum of 20 hours (or equivalent learning units) of relevant professional development activity in each year.
- A26. IFAC member organizations may provide guidance to professional accountants on the extent of CPD that can be obtained from a single learning and development activity that is undertaken more than once (for example, delivering a presentation more than once when the content of the presentation or speech remains unchanged).

*Use of Both Measurement Approaches (Ref: Para. 12)*

- A27. IFAC member organizations may use both the output-based and the input-based approaches in establishing their measurement approach for CPD. Examples of how an IFAC member organization might construct such an approach could include:
- (a) Evaluating the achievement of specified learning outcomes using an output-based approach while allowing for a quantifiable measurement of completed CPD using an input-based approach for other learning outcomes;
  - (b) Accepting evidence that learning and development activities have been undertaken by a professional accountant and verifying that learning outcomes have been achieved for those learning and development activities;
  - (c) Measuring CPD for professional accountants performing certain roles using an output-based approach, while CPD for professional accountants performing other roles is measured using an input-based approach; and
  - (d) Establishing an input-based approach and allowing the professional accountant to replace a portion of input-based CPD with CPD measured using an output-based approach.

**Monitoring and Enforcement of CPD (Ref: Para. 15–16)**

- A28. Verifiable evidence increases the confidence of stakeholders that CPD is achieving its intended objective and contributing towards the enhanced professional competence of professional accountants. Verifiable evidence is objective, and capable of being proven and retained.
- A29. IFAC member organizations may provide guidance on the evidence to be maintained for CPD that has been undertaken. Guidance may cover the responsibilities of professional accountants for:
- (a) Retention of appropriate records and documents related to their CPD; and
  - (b) Provision, on request, of verifiable evidence to demonstrate their compliance with the CPD requirements of the IFAC member organization.
- A30. As part of specifying the nature and extent of evidence that professional accountants maintain for CPD, IFAC member organizations may determine that a portion of learning activities is not able to be verified. Some learning activities, for example on-the-job training; reading; or coaching and mentoring, may be measurable, but may not be easily verified. These activities also contribute relevant CPD because they provide for the development and maintenance of professional competence. Learning activities that are not able to be verified may still be evidenced and documented, such as, through self-assessment activities and reflective activity.
- A31. The following examples represent verifiable evidence that could be used to demonstrate that learning outcomes have been achieved in an output-based approach:
- (a) Examination results;
  - (b) Specialist or other qualifications;
  - (c) Assessments of the acquisition of technical competence, professional skills, professional values, ethics and attitudes for specified learning outcomes;
  - (d) Records of work performed that have been verified against a competency map;
  - (e) Objective assessments of performance or behavior against a competency map; and

- (f) Published material.
- A32. The following examples represent verifiable evidence that could be used to demonstrate that a specified amount of learning and development activity has been undertaken in an input-based approach:
- (a) Course outlines, teaching materials, storyboards (for virtual training), and meeting agenda objectives and meeting minutes that verify the relevance of the content; and
  - (b) Confirmation that a learning and development activity has been completed (including number of hours or equivalent learning units) by a provider, instructor, employer, mentor, or tutor.
- A33. A systematic monitoring process may involve professional accountants periodically:
- (a) Submitting a declaration as to whether they meet their professional responsibility to maintain the necessary professional competence to perform their role;
  - (b) Submitting a declaration confirming compliance with any specific CPD requirements imposed by the IFAC member organization or other regulators or other licensing authorities; or
  - (c) Providing evidence of learning and development activities undertaken, or verification of the professional competence they have developed and maintained through their CPD.
- A34. A systematic monitoring process may involve IFAC member organizations:
- (a) Obtaining a sample of professional accountants' records of CPD activity to check compliance with requirements;
  - (b) Assessing learning plans or CPD documents as part of quality assurance programs;
  - (c) Requiring certain employers to include CPD programs and effective monitoring systems in their quality assurance programs, and to track learning and development activities as part of their time recording systems; or
  - (d) Working with regulators or other licensing authorities to assist in monitoring and enforcing CPD requirements.
- A35. IFAC member organizations may determine which roles of professional accountants are considered to be most relevant to the protection of the public interest and adopt more rigorous monitoring accordingly.
- A36. IFAC member organizations may conduct a set of monitoring processes on a cyclical basis. In determining the duration of a cyclical monitoring process, the IFAC member organization may consider what is reasonable in its environment, taking into consideration the public interest, and the expectations of the public, regulators, and other stakeholders. Experience of some IFAC member organizations suggests that cycles of between one and five years may meet these expectations.
- A37. A system of mandatory CPD will operate more effectively, and in the public interest, when professional accountants who fail to meet their CPD obligations are brought into compliance on a timely basis. IFAC member organizations may consider the legal and environmental conditions in their jurisdiction in order to determine the types of sanctions they will impose for non-compliance.
- A38. The initial steps taken to address non-compliance are likely to focus on bringing the professional accountant into compliance within a reasonable time period. IFAC member organizations are likely

to seek to balance the risk of setting a sanction that, in substance, amounts to permitting a professional accountant to defer or avoid compliance with the CPD requirement, with the risk of setting a sanction that is excessively punitive.

- A39. A professional accountant's willful failure to develop and maintain professional competence may be a violation of a code of ethics that may result in disciplinary action and diminish the professional accountant's ability to act in the public interest.
- A40. Some IFAC member organizations may have the legal authority to expel non-compliant professional accountants or to deny them the right to practice. Expulsion or denial of the right to practice may be applied to professional accountants who have made it clear, through a pattern of non-compliance or through their response to the IFAC member organization's inquiries, that they are likely to continue to fail to comply with the CPD requirements. Publication of the names of professional accountants who willfully fail to comply is an option that may be considered by the IFAC member organization. Publication of names can act as a general deterrent for professional accountants and provide a clear signal to the public of the profession's commitment to maintaining competence and protecting the public interest.
- A41. An effective monitoring and enforcement process requires adequate resources. IFAC member organizations may also consider establishing a board or committee to oversee CPD requirements and the monitoring and enforcement process.
- A42. IFAC member organizations may consider reporting publicly the extent to which their members comply with the CPD requirements set out in IES 7.

## INTERNATIONAL EDUCATION STANDARD 8, PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (2021)

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## Introduction

### Scope of this Standard (Ref: Para. A2–A16)

1. International Education Standard (IES) 8 prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements<sup>1</sup>.
2. IES 8 is addressed to International Federation of Accountants (IFAC) member organizations. IFAC member organizations have a responsibility for the Continuing Professional Development (CPD) of professional accountants, and for fostering a commitment to lifelong learning among professional accountants. Under IES 7, *Continuing Professional Development*<sup>2</sup> (2020), IFAC member organizations require professional accountants to develop and maintain professional competence necessary to perform their role as a professional accountant. IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (2021) applies this IES 7 requirement to the role of an Engagement Partner. It is the responsibility of the professional accountant performing the role of an Engagement Partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.
3. IES 8 is intended to be read in conjunction with Statement of Membership Obligations (SMO) 1 – *Quality Assurance*, International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and International Standard on Quality Management (ISQM 2), *Engagement Quality Reviews*. Together, these pronouncements place responsibilities on IFAC member organizations, Engagement Partners, and firms as part of the system of quality control for audits of financial statements. Also, in many jurisdictions, a regulator may have an oversight role in this system of quality control. Each of these stakeholders may have an impact on the professional competence of the Engagement Partner.
4. IFAC member organizations or other stakeholders may also apply the requirements of IES 8 to professional accountants performing an equivalent role to that of an Engagement Partner on audits of other historical financial information in compliance with the ISAs (or other relevant auditing standards) or other types of engagements providing assurance and related services.
5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Education Standards *Glossary of Terms* (2021). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements are also included in the Explanatory Material.

### Effective Date

6. IES 8 is effective from January 1, 2021.

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<sup>1</sup> For the purpose of this IES, hereafter referred to as “Engagement Partner” per the definition set out in International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, Para. 7(a).

<sup>2</sup> IES 7, *Continuing Professional Development* (2020), Para. 9.

**Objective (Ref: Para. A17–A18)**

7. The objective of IES 8 is to establish the professional competence that professional accountants develop and maintain when performing the role of an Engagement Partner.

**Requirements (Ref: Para. A19–A31)**

8. IFAC member organizations shall require professional accountants performing the role of an Engagement Partner to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including, but not limited to, those listed in Table A.
9. IFAC member organizations shall require professional accountants performing the role of an Engagement Partner to undertake CPD that develops and maintains the professional competence required for this role.

**Table A: Learning Outcomes for the Professional Competence of an Engagement Partner**

Competence Areas (IES 8)	Learning Outcomes
(a) Audit	(i) Lead the audit through active involvement during all phases of the audit engagement.
	(ii) Lead the identification and assessment of the risks of material misstatement.
	(iii) Develop an audit plan that responds to the risks of material misstatement identified.
	(iv) Evaluate responses to the risks of material misstatement.
	(v) Conclude on the appropriateness and sufficiency of all relevant audit evidence, including contradictory evidence, to support the audit opinion.
	(vi) Evaluate whether the audit was performed in accordance with International Standards on Auditing or other relevant auditing standards, laws, and regulations applicable to an audit of the financial statements.
	(vii) Develop an appropriate audit opinion and related auditor’s report, including a description of key audit matters as applicable.
(b) Financial accounting and reporting	(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements.
	(ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements.
	(iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management.

PROPOSED REVISIONS TO IES 6 – INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE

Competence Areas (IES 8)	Learning Outcomes
	(iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern.
(c) Governance and risk management	(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.
(d) Business environment	(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.
(e) Taxation	(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.
(f) Information and communications technologies	(i) Evaluate the information and communications technologies (ICT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.
(g) Business laws and regulations	(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.
(h) Finance and financial management	(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.
	(ii) Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.
(i) Interpersonal and communication	(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.
	(ii) Evaluate the potential impact of cultural and language differences on the performance of the audit.
	(iii) Resolve audit issues through effective consultation when necessary.
(j) Personal	(i) Promote lifelong learning.
	(ii) Act as a role model to the engagement team.
	(iii) Act in a mentoring or coaching capacity to the engagement team.
	(iv) Promote reflective activity.

Competence Areas (IES 8)	Learning Outcomes
(k) Organizational	(i) Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.
	(ii) Manage audit engagements by providing leadership and project management of engagement teams.
(l) Commitment to the public interest	(i) Promote audit quality and compliance with professional standards and regulatory requirements with a focus on protecting the public interest.
(m) Professional skepticism and professional judgment	(i) Apply professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.
	(ii) Promote the importance of the application of professional skepticism during all phases of the audit engagement.
	(iii) Apply professional skepticism to critically assess audit evidence obtained during the course of an audit and reach well-reasoned conclusions.
	(iv) Evaluate the impact of individual and organizational bias on the ability to apply professional skepticism.
	(v) Apply professional judgment to evaluate management's assertions and representations.
	(vi) Resolve audit issues using critical thinking to consider alternatives and analyze outcomes.
(n) Ethical principles	(i) Promote the importance of compliance with the fundamental principles of ethics. <sup>3</sup>
	(ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.

<sup>3</sup> The Fundamental Principles, *IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition*, Section 110.

## Explanatory Material

### References to Definitions Contained within IAASB Pronouncements (Ref: Para. 5)

A1. IES 8 uses the following terms already defined within IAASB pronouncements<sup>4</sup>.

**Table B: IAASB Definitions Adopted in IES 8**

Defined Term	Source of Term	Definition in Use
Auditor's Expert	ISA 620 <i>Using the Work of an Auditor's Expert</i> , Paragraph 6(a).	An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.
Engagement Partner*	ISA 220 <i>Quality Management for an Audit of Financial Statements</i> , Paragraph 12 (a).	The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory organization.
Engagement Team	ISA 220 <i>Quality Management for an Audit of Financial Statements</i> , Paragraph 12 (d).	All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor's external expert and internal auditors who provide direct assistance on an engagement.

<sup>4</sup> The ISA definitions detailed above are contained within the IAASB *Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2022 Edition, Volume I*.

<b>Defined Term</b>	<b>Source of Term</b>	<b>Definition in Use</b>
Financial Statements	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing</i> , Paragraph 13 (f).	A structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time, or of the changes therein For a period of time, in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.
Firm*	ISA 220 (Revised) <i>Quality management for an Audit of Financial Statements</i> , Paragraph 12 €.	A sole practitioner, partnership or corporation or other entity of professional accountants, or public sector equivalent.
Professional Judgment	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing</i> , Paragraph 13 (k).	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
Professional Skepticism	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing</i> , Paragraph 13 (l).	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
* “Partner” should be read as also referring to the public sector equivalent.		

**Scope of this Standard** (Ref: Para. 1–5)

- A2. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A3. CPD is a continuation of Initial Professional Development (IPD). IPD is the learning and development through which individuals first develop competence leading to performing the role as a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuous development of: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant.
- A4. As outlined in IES 7<sup>5</sup>, CPD includes practical experience. As the career of an Engagement Partner progresses, practical experience becomes increasingly important in developing and maintaining the necessary depth and breadth of professional competence. Practical experience for Engagement Partners may be evidenced by annual self-declarations, records of chargeable time, and the results of qualitative monitoring activities such as performance reviews, engagement quality assurance reviews, and regulatory inspections.
- A5. In addition to professional competence and practical experience, other factors outside the scope of this IES determine whether a professional accountant has, where required, the appropriate authority from a professional, legal, or regulatory organization to perform the role of Engagement Partner.
- A6. In many jurisdictions, legislation, regulation, or a regulator (referred to collectively as a “licensing regime”) sets or enforces the requirements as to who may perform the role of an Engagement Partner. Licensing regimes vary widely in their requirements. Where licensing is not within the authority of the IFAC member organization, IFAC member organizations shall use their best endeavors as described in SMO 2 – *International Education Standards for Professional Accountants and Aspiring Professional Accountants*<sup>6</sup> to influence the licensing regime so that the IFAC member organization can meet the professional competence requirements set out in IES 8.
- A7. A firm, which by definition includes sole practitioners, determines who can issue an audit opinion as a legal representative of that firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can perform the role of Engagement Partner.

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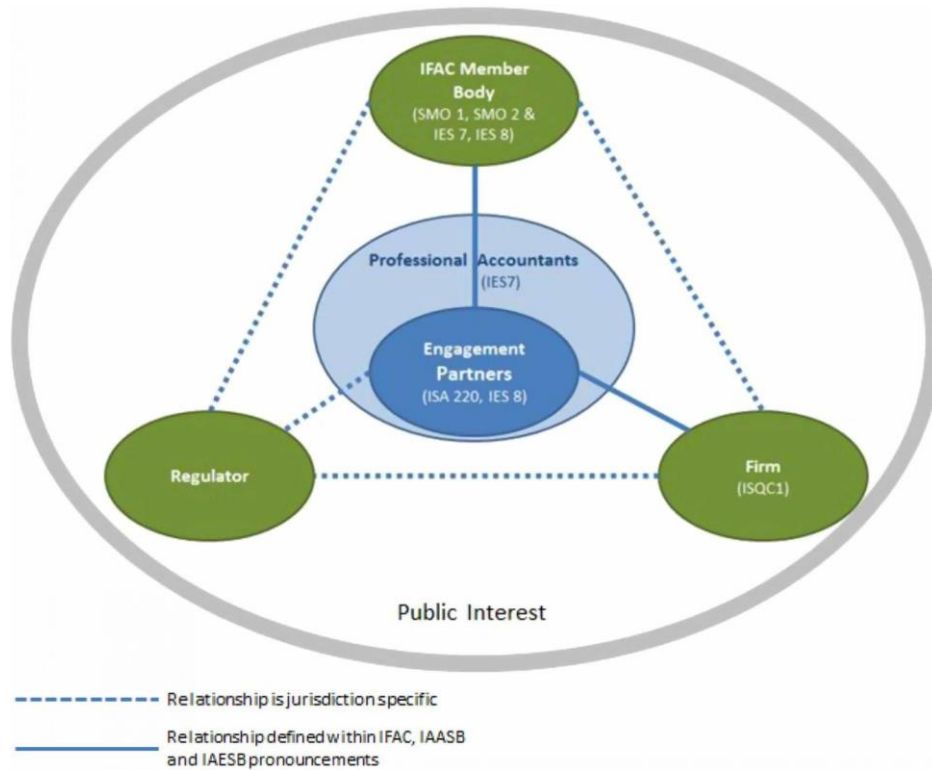
<sup>5</sup> See IES 7, *Continuing Professional Development* (2020), Para. 2.

<sup>6</sup> Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Aspiring Professional Accountants* sets out the requirements of an IFAC member organization with respect to these International Education Standards. The SMO specifically addresses (Para 9) the situation where an IFAC member organization has no responsibility or shared responsibility for adopting and implementing professional accounting.

*Stakeholders That Impact the Professional Competence of Engagement Partners*

- A8. Figure 1 illustrates stakeholders that impact the professional competence of Engagement Partners. Relationships between stakeholders can be dependent on the jurisdiction or as a consequence of requirements contained in ISA and IES and obligations contained in IFAC pronouncements.
- A9. In accordance with IES 7<sup>7</sup>, IFAC member organizations require professional accountants to undertake and record relevant CPD that develops and maintains professional competence necessary to perform their role as a professional accountant.

**Figure 1: Stakeholders That Impact the Professional Competence of Engagement Partners**



- A10. IES 7<sup>8</sup> also requires IFAC member organizations to establish a systematic process to monitor whether professional accountants meet the IFAC member organization’s CPD requirements.
- A11. ISA 220<sup>9</sup> addresses the responsibilities of the Engagement Partner with respect to whether the engagement team and any auditor’s experts who are not part of the team, collectively have the appropriate competence and capabilities. Unless information provided by the firm or other parties suggest otherwise, ISA 220<sup>10</sup> indicates that the engagement team may rely on the firm’s system of

<sup>7</sup> See IES 7, *Continuing Professional Development* (2020), Para. 9.

<sup>8</sup> See IES 7, *Continuing Professional Development* (2020), Para. 16.

<sup>9</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. 14.

<sup>10</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. A2.



- quality control in relation to the competence of personnel through their recruitment and formal training.
- A12. ISQM 1<sup>11</sup> requires the firm to establish quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management.
- A13. In many jurisdictions, regulators may have an oversight role in relation to IFAC member organizations, firms, and Engagement Partners.
- A14. By complying with the requirements of this IES and fulfilling their obligations under SMO 1<sup>12</sup> and SMO 2<sup>13</sup>, IFAC member organizations assist firms in complying with the requirements of ISQC 1 and assist Engagement Partners in complying with the requirements of ISA 220. Collectively these pronouncements promote clarity and consistency with respect to the professional competence required of the Engagement Partner and the engagement team, which serves to protect the public interest.
- A15. Only those professional accountants who develop and maintain the professional competence that is demonstrated by achievement of the learning outcomes listed in Table A will be able to deal with the complex situations that Engagement Partners may face during their careers. A professional accountant aspiring to be an Engagement Partner will usually serve for several years on engagement teams and may progress through supervisory and managerial roles under the supervision of an Engagement Partner. This progression through increasing levels of responsibility is a common path through which a professional accountant may prepare to assume the role of an Engagement Partner. Those serving as an Engagement Partner develop and maintain their professional competence through leading or serving on audit engagements, and through other learning activities as part of their CPD.

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<sup>11</sup> See ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Para. 32.

<sup>12</sup> Statement of Membership Obligations 1 – *Quality Assurance* sets out the requirements of an IFAC member organization with respect to quality assurance review systems for its members who perform audits, review and other assurance and related services engagements of financial statements. The SMO specifically addresses the situation where an IFAC member organization has no responsibility or shared responsibility for setting the rules and operating the quality assurance review system.

<sup>13</sup> Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Aspiring Professional Accountants* sets out the requirements of an IFAC member organization with respect to these International Education Standards. The SMO specifically addresses (Para 9) the situation where an IFAC member organization has no responsibility or shared responsibility for adopting and implementing professional accounting.

*Audit of Financial Statements and Other Assurance Engagements*

A16. IES 8 is applicable to Engagement Partners responsible for the audits of financial statements. The professional competence that is demonstrated by the achievement of the learning outcomes in Table A may also be helpful when performing audits of other historical financial information in compliance with the ISAs or other types of assurance and related services. Similarly, much of the professional competence required for an audit of financial statements may be relevant to those Engagement Partners responsible for assurance engagements relating to non-financial statement information, such as environmental or social measures.

**Objective** (Ref: Para. 7)

A17. Establishing the professional competence that professional accountants develop and maintain in performing the role of Engagement Partner serves several purposes. It protects the public interest; contributes to audit quality; enhances the work of Engagement Partners; and promotes the credibility of the audit profession.

A18. While a premise of IES 8 is that Engagement Partners have already developed the professional competence to assume that role, Engagement Partners operate in an environment of significant change. Pressure for change can come from many sources, including, but not limited to: (a) increased regulation, (b) developments in financial and non-financial reporting, (c) emerging technologies, (d) increasing use of business analytics, and (e) business complexity. Change requires Engagement Partners to maintain and further develop professional competence throughout their careers.

**Requirements** (Ref: Para. 8–9)

A19. Table A identifies the competence areas and related learning outcomes for (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes. A competence area is a category for which a set of related learning outcomes can be specified.

A20. Learning outcomes establish the content and depth of knowledge, understanding, and application required for each specified competence area. The achievement of learning outcomes is an output-based approach to measuring CPD. IES 7 provides further guidance in respect of the measurement of CPD<sup>14</sup>.

A21. IES 8 builds on the learning outcomes that describe the professional competence required by aspiring professional accountants by the end of IPD as outlined in IESs 2, 3, and 4<sup>15</sup>.

A22. Other factors in addition to the learning outcomes in Table A may affect the nature, timing, and extent of planned CPD. These factors may include, but are not limited to: (a) an Engagement Partner's portfolio of audit engagements, (b) the extent of any changes in auditing and financial reporting standards, and (c) the impact of any changes in the content of other competence areas noted in Table A.

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<sup>14</sup> IES 7, *Continuing Professional Development* (2020), Para. A19-A27.

<sup>15</sup> IES 2, *Initial Professional Development – Technical Competence* (2021); IES 3, *Initial Professional Development – Professional Skills* (2021); and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2021).

- A23. Irrespective of the size or nature of the audit engagement, and the firm of the Engagement Partner providing the audit, a premise of IES 8 is that Engagement Partners continue to undertake CPD appropriate to the complexity of the audits for which they serve as Engagement Partners.
- A24. IFAC member organizations may include additional competence areas or require Engagement Partners to achieve additional learning outcomes that are not specified in this IES. This may occur, for example, when an Engagement Partner audits specialized industries or transactions.

*Sole Practitioners and Small and Medium Practices*

- A25. By focusing on one specific role rather than an engagement team or firm structure, IES 8 recognizes the wide range of situations in which the Engagement Partner operates, including as a sole practitioner or within small and medium practices<sup>16</sup>. In these situations, the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

*Audit – Learning Outcomes*

- A26. Leading the identification and assessment of risks of material misstatements includes consideration of:
- The risks identified by engagement acceptance and continuance procedures;
  - An entity's ability to continue as a going concern;
  - The risks of material misstatement due to fraud and error.
- A27. Evaluating the response to the risks of material misstatements includes the process of approving or establishing an appropriate overall audit strategy.
- A28. Evaluating whether the audit was performed in accordance with International Standards on Auditing or other relevant standards, and with relevant laws and regulations, includes:
- Concluding whether sufficient appropriate audit evidence has been obtained;
  - Consideration of significant deficiencies in internal control and in other matters to be communicated to those charged with governance;
  - Consideration of bias in management's estimates and other areas of judgment.

*Organizational – Learning Outcomes*

- A29. Examples of areas where an auditor's expert may be used on an audit include, but are not limited to, taxation, ICT, legal, forensic accounting, valuations, actuarial services, and pensions.

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<sup>16</sup> IFAC's Small and Medium Practices Committee factsheet defines SMPs as '...practices that exhibit the following characteristics: its clients are mostly small- and medium-sized entities (SMEs); it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff.'

*Professional Skepticism and Professional Judgment – Learning Outcomes*

- A30. A key aspect of any audit is evaluating whether sufficient and appropriate audit evidence has been obtained to support the conclusions on which the auditor's opinion is based. Professional skepticism involves the application of a questioning mind for the critical assessment of audit evidence. The ISAs also require Engagement Partners and their teams to exercise professional judgment in planning and performing an audit of financial statements. Professional judgment is exercised, for example, when challenging management assertions and assumptions contained within the financial statements, and when considering whether accounting standards are appropriately applied by an entity and determining an appropriate overall audit strategy.
- A31. Planning effective CPD in the areas of professional skepticism and professional judgment involves due care and may include a blend of learning methods in which mentoring, reflective activity, and practical experience play a key role.

## Appendix E: Glossary – Markup

### **IAESB GLOSSARY OF TERMS (2021 FOR INTERNATIONAL EDUCATION STANDARDS (202X))**

1. This glossary comprises a collection of defined terms, many of which have been specifically defined within ~~existing IAESB pronouncements. The IAESB acknowledges the International Education Standards (IESs).~~ It is acknowledged that terms may be understood to have different common meanings, nuances of meaning, and applications among the various countries in which IFAC member bodies operate. The glossary does not prescribe the use of terms by IFAC member bodies. Rather, the glossary is a list of defined terms, with special meanings, for their use within the IESs produced by the IAESB.
2. Words marked with an asterisk (\*) indicate terms that are defined elsewhere in the glossary.

*Accessibility*—(of assessment),\* an assessment activity that provides all individuals the opportunity to demonstrate achievement of learning outcomes.\*

*Aspiring professional accountant*—An individual who has commenced a professional accounting education program\* as part of Initial Professional Development.\*

\**Assessment*—Evaluation of professional competence\* developed through learning and development.\*

\**Assessment activity*—Those activities designed to assess specific areas of professional competence.\*

*Authenticity*—(of assessment),\* an assessment activity that assesses the learning outcomes in a way that reflects realistic situations faced by professional accountants.

*Combination approach*—A combination approach combines elements of input-based\* and output-based\* approaches.

*Competence area*—A category for which a set of related learning outcomes\* can be specified.

~~\**Content validity (of assessment)*—In relation to assessment,\* whether an assessment activity\* provides adequate coverage of the particular aspect of professional competence\* being assessed.~~

*Continuing professional development (CPD)*—Learning and development\* that takes place after initial professional development,\* and that develops and maintains professional competence\* to enable professional accountants\* to continue to perform their roles\* competently.

\**Cooperative education*—A program of education,\* generally leading to a degree, which includes alternating periods (e.g., terms, semesters, trimesters) of academic study and full-time work experience. This will generally result in additional time required to complete degree requirements.

\**Education*—Systematic process aimed at acquiring and developing knowledge, skills, and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

*Equity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is fair and without bias.

~~*Face validity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is perceived to measure what it is intended to measure.~~

*Financial statements*—A structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or of the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.

The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance.

*Firm*—A sole practitioner, partnership, corporation, or other entity of professional accountants.

*Formal assessment\**—The evaluation of professional competence\* developed through learning and development for a qualification.\*

*Formal assessment\** activity —Those activities designed to assess specific areas of professional competence\* for a qualification.\*

*Formal education*—The non-workplace based component of an accounting education program.

*Good practice*—Those elements considered essential to the education\* and development of professional accountants\* and performed at a standard necessary to the achievement of professional competence.\*

*Inclusion (of assessment)*—In relation to assessment,\* whether an assessment activity\* is designed and delivered to be meaningful, relevant and accessible\* to all.

*Information and communications technologies (ICT)*—Established and emerging technologies, techniques, and processes used to capture, manage, transform, or communicate data and information.

*Initial professional development (IPD)*—Learning and development\* through which aspiring professional accountants\* first develop competence leading to performing a role\* as a professional accountant.

*Input measure*—An input-based measure focuses on the investment made in learning and development,\* for example, the number of hours an individual is expected to attend a course or the subject areas covered.

*Input-based approach*—An approach that establishes an amount of learning activity required for professional accountants\* to develop and maintain professional competence.\*

*Integrity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is designed, delivered and overseen to minimize the potential breaches of assessment security or improper administration of the assessment.

*Intellectual skills*—Skills relating to the ability of a professional accountant\* to solve problems, to make decisions, adapt to change, and exercise professional judgment.

*Interpersonal and communication skills*—Skills relating to the ability of a professional accountant\* to work and interact effectively with others.

*Learning and Development*—An ongoing process of developing and maintaining professional competence\* throughout the career of a professional.

*Learning outcome*—The content and the depth of knowledge, understanding, and application required for a specified competence area.\*

*Monitoring*—Systematic process of collecting, reviewing, and confirming the evidence that demonstrates professional competence has been developed or maintained.

*Organizational skills*—Skills relating to the ability of a professional accountant\* to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.

*Output measure*—An output-based measure focuses on whether the professional accountant\* has developed the specified competence.

*Output-based approach*—An approach that requires professional accountants\* to demonstrate, by way of achieved learning outcomes,\* that they develop and maintain professional competence.\*

*Personal skills*—Skills relating to the personal attitudes and behavior of a professional accountant.\*

*Practical experience*—Workplace and other activities that are relevant to developing professional competence.

*Practical experience supervisor*—A professional accountant\* who is responsible for guiding, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience.\*

~~*Predictive validity (of assessment)*—In relation to assessment,\* whether the content of the assessment activity\* relates to the particular aspect of professional competence\* that it is intended to assess~~

*Professional accountant*—An individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority.\*

*Professional accounting education*—Education and training that builds on general education, and imparts (a) professional knowledge,\* (b) professional skills,\* and (c) professional values, ethics, and attitudes.\*

*Professional accounting education program*—Programs designed to support aspiring professional accountants\* to develop the appropriate professional competence\* by the end of initial professional development.\* They may consist of formal education\* delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training.

*Professional competence*—The ability to perform a role\* to a ~~defined~~required standard.

*Professional judgment*—The application of relevant training, professional knowledge, skills and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved.

*Professional knowledge*—Those topics that make up the subject of accountancy as well as other business disciplines that, together, constitute the essential body of knowledge for professional accountants.\*

*Professional skepticism*—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.

*Professional skills*—Intellectual, interpersonal and communication, personal, and organizational skills that a professional accountant integrates with technical competence\* and professional values, ethics, and attitudes\* to demonstrate professional competence.\*

*Professional values, ethics, and attitudes*—The characteristics that identify professional accountants\* as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behavior.

*Psychometrics*—the field of study concerning the objective measurement of skills or abilities.

*Psychometric modeling*—a method used to calibrate and score characteristics of assessments.\*

*Qualification*—Qualification as a professional accountant\* means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as a professional accountant.\*

*Reflective activity*—The iterative process by which professional accountants,\* at all stages of their career, continue to develop their professional competence\* by reviewing their experiences (real or simulated) with a view to improving their future actions.

*Relevant ethical requirements*—Those ethical requirements to which professional accountants\* are subject, which ordinarily comprise the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with any national requirements that are more restrictive.

*Reliability (of assessment)*—In relation to assessment,\* whether an assessment activity\* consistently produces the same result, given the same set of circumstances, ~~quality or state describing whether a measurement approach consistently produces the same result, given the same set of circumstances.~~

*Role*—A function that has a specific set of expectations attached.

*Specialization*—The formal recognition by a member body of a group of its members possessing distinctive competence in a field, or fields, of activity related to the work of the professional accountant.\*

*Sufficiency (of assessment)*—In relation to assessment,\* whether an assessment activity\* has a balance of depth and breadth, knowledge and application and, combines material from different areas applied to a range of situations and contexts.

*Sufficiency (of practical experience)*—Whether practical experience\* has a balance of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.

The breadth of practical experience is affected by factors such as: nature of role; level of proficiency, prior level of formal education,\* national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence.\*

The depth of practical experience\* is affected by factors such as: the variety and complexity of tasks; level of supervisory and mentoring support.

*Technical competence*—Technical competence is defined as the ability to apply professional knowledge\* to perform a role to a defined standard.

*Training*—Learning and development\* activities that complement education\* and practical experience.\* Training emphasizes practical application, and is usually conducted in the workplace or a simulated work environment.

*Transparency (of assessment)*—In relation to assessment,\* whether details of an assessment activity,\* such as competence areas\* and learning outcomes\* to be assessed and timing of the activity, are disclosed publicly.



*Validity—(of assessment)*—Quality or state describing whether a measurement approach ~~measures what needs to be measured.~~ assesses the intended learning outcomes.

*Verifiable evidence*—Evidence that is objective, and capable of being proven and retained.

*Work log*—A record maintained by an individual of the nature of the assignments and tasks completed, and of the time incurred in completing those assignments and tasks. A work log might also include documentation of competences developed as a result of completing work assignments.

## Appendix F: Glossary – Clean

### GLOSSARY OF TERMS FOR INTERNATIONAL EDUCATION STANDARDS (202X)

1. This glossary comprises a collection of defined terms, many of which have been specifically defined within the International Education Standards (IESs). It is acknowledged that terms may be understood to have different common meanings, nuances of meaning, and applications among the various countries in which IFAC member bodies operate. The glossary does not prescribe the use of terms by IFAC member bodies. Rather, the glossary is a list of defined terms, with special meanings, for their use within the IESs.
2. Words marked with an asterisk (\*) indicate terms that are defined elsewhere in the glossary.

*Accessibility*—(of assessment),\* an assessment activity that provides all individuals the opportunity to demonstrate achievement of learning outcomes.\*

*Aspiring professional accountant*—An individual who has commenced a professional accounting education program\* as part of Initial Professional Development.\*

\**Assessment*—Evaluation of professional competence\* developed through learning and development.\*

\**Assessment activity*—Those activities designed to assess specific areas of professional competence.\*

*Authenticity*—(of assessment),\* an assessment activity that assesses the learning outcomes in a way that reflects realistic situations faced by professional accountants.

*Combination approach*—A combination approach combines elements of input-based\* and output-based\* approaches.

*Competence area*—A category for which a set of related learning outcomes\* can be specified.

*Continuing professional development (CPD)*—Learning and development\* that takes place after initial professional development,\* and that develops and maintains professional competence\* to enable professional accountants\* to continue to perform their roles\* competently.

\**Cooperative education*—A program of education,\* generally leading to a degree, which includes alternating periods (e.g., terms, semesters, trimesters) of academic study and full-time work experience. This will generally result in additional time required to complete degree requirements.

\**Education*—Systematic process aimed at acquiring and developing knowledge, skills, and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

*Equity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is fair and without bias.

*Financial statements*—A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time or of the changes therein for a period of time in accordance with a financial reporting framework. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.

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