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Mr. David McPeak
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Our ref   IES 2,3,4 and 8 (Exposure
           Draft) KPMG Response

March 4, 2019

Dear Mr. McPeak:

Exposure Draft, International Education Standards 2, 3, 4 and 8

We appreciate the opportunity to comment on the above Exposure Draft (ED) issued by the IAESB. We have consulted with, and this letter represents the views of, the KPMG network.

We are supportive of the efforts by the IAESB to strengthen learning outcomes in the International Education Standards. We provide our responses to the specific questions posed by the IAESB below.

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

We are supportive of the proposed changes to IES 3, 4 and 8 in relation to professional skepticism. We believe that the clarifications are helpful in improving understanding of the learning outcomes and also align the standards to the recent changes made to the IESBA Code. In particular, the proposed professional skepticism additions in IES 8 are critical additions for this topic.

However, we have concerns with the proposed changes related to ICT and IES 2. We agree that Information Technology ("IT") and ICT skills have evolved for the profession, however, we do not believe the proposed revisions provide the clarification as to how ICT has been elevated or incorporated into the standards. It is unclear, based on the concerns raised below, how ICT revisions will achieve the stated public interest objectives.

We support the aims of the IAESB and recognise the efforts made but consider that certain aspects may be further clarified in order to achieve the objectives. We set out below our specific concerns regarding the proposed revisions to the IESs in respect of ICT learning outcomes, together with suggestions for further enhancements to clarify ICT integration:

ICT Learning Outcomes are Hard to Find:

IES 2 includes the ICT competency area AND other ICT-related competencies added to other competence areas. A case can be made that ICT supports all of the other competency areas. However, the Board has embedded ICT specific learning outcomes in some competence areas but not all. Our preference would be that the Board retain an IT or ICT competence area and locate all of the IT/ICT specific learning outcomes in that competence area.

This also requires clarification as to how ICT has been fully integrated into the standard - it is unclear as to how the IAESB sees ICT impacting all of the competency areas in IES 2:

- Some may see ICT to be limited only to those competency areas with ICT specific learning outcomes.
- Spreading ICT outcomes throughout the competency areas while also having an ICT specific competency may make it difficult to construct an ICT curriculum using the IAESB learning outcomes – a reader may have to search across all of the competency areas to find all of the ICT related learning outcomes.
- Some revisions to existing learning outcomes, explained as being made for ICT, are not intuitively about ICT or because of ICT. When the IAESB rationale and track changes for these are removed from the final standard, not all readers will identify some 'ICT modified' learning outcomes as even relating to ICT (e.g., IES 2 a vi).

We therefore recommend that all newly proposed ICT learning outcomes in IES 2 be relocated to competency area h so that all ICT specific learning outcomes are found in the ICT competence area. Similarly, we recommend that the following learning outcomes in IES 2 should be moved to competency area h:
   a. G iii and vi
   b. G iii
   c. I ii

We recommend not making terminology clarifications and revisions to existing learning outcomes for ICT purposes because these changes are not clearly about ICT in the absence of IAESB written explanation/rationale. We therefore suggest that the following learning outcomes in IES 2 are not updated at this time:
   d. A vi
   e. B iii and iv
   f. I i and iv
   g. K iv (this is not specific to ICT – if there is an ICT skill related to this then it should be articulated as an ICT specific learning outcome in competency area h).

Unintended Issues

We recognise the Board's rationale for the removal of the learning outcome "*Analyze the adequacy of general information technology controls and relevant application controls*" but we believe that this outcome remains vital. Accordingly, we recommend that the learning outcome should be relocated to competency area f with other internal control-related learning outcomes. We believe that it would be important to consider a replacement learning outcome(s) dealing with GITC elements and the four application control types as they remain fundamental to work done today.

We also note that shifting focus from IT to ICT might have unintended consequences. IT and ICT are both widely understood as distinct but overlapping concepts. They are related with IT being the broader concept while ICT focuses mostly on the communications aspects of IT. We recommend that the competence area or glossary defined term should remain with both ICT and IT, as ICT is narrower than IT and the challenges that the standard aims to address apply across a wide IT spectrum which is broader than IT communications.

See recommendations related to revising the term and definition in response to Question 4. We recommend also that IES 2 (competency area h) be retained as IT and not changed to ICT.

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

Please refer also to our response to Question 1 above.

We believe the IAESB has the opportunity to continue to help shape the future skill sets of the profession needed for IT. To help achieve this objective, we recommend that the IAESB further clarify, in IES 2, if there is an assumption that basic working knowledge of fundamental IT concepts is prerequisite knowledge to accomplish what appear to be higher level outcomes for the proposed 'ICT' competency area.
We believe that it would be helpful for the existing competency area for IT to be expanded to outline specific IT-related learning outcomes that future accountants will need. The proposed changes to learning outcomes in these IESs are not likely to impact the practicing profession in the near future after the effective date of the standard. In addition to relocating newly proposed IT- related learning outcomes to just the IT competency area, we believe clarification on the following learning outcomes would be helpful:

1. Knowledge/exposure to basic IT coding and app development
2. Knowledge/exposure to distributed ledger concepts
3. Knowledge/exposure to GITC elements and application control types

We have other recommendations on learning outcomes within the exposure draft:

- IES 3 We believe that building public trust is critical and that IES 3 should incorporate public trust as a learning outcome to competency area C – Personal (i.e., it is a

personal responsibility to demonstrate commitment to lifelong learning and it is also a personal responsibility to demonstrate commitment to protecting public trust in the profession).

- IES 8 We recommend that the IAESB introduce greater clarity in the expectation for partners to coach engagement team members.

- IES 8 We recommend that 'promote lifelong learning' be split into three points – 'commitment to lifelong learning', 'demonstrate personal commitment to lifelong learning' and 'support the lifelong learning of others'.

- We also recommend that the IAESB consider inclusion of a learning outcome such as 'Escalate unethical behavior appropriately'.

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

We support these new definitions, in particular, in respect of Intellectual Agility and Professional Judgment as these changes align these terms to the IESBA Code.

We propose not to make the suggested change for ICT. The concept 'Information Technology' exists in the extant IESs as its own competency area and has been modified to 'Information and Communications Technologies'. The concept of 'Information Technology' was not defined previously by the IAESB. The word 'Communications' does not need to be added to 'Information Technology' as the proposed definition for 'ICT' and the proposed revisions to the learning outcomes could work just as well for 'Information Technology' or 'Information Technologies'.
Therefore the use of the term ICT may be confusing and potentially limiting, both in respect of specific learning outcomes addressing IT communications, as well as across the whole spectrum of IT related learning outcomes more broadly. We propose the following definition:

Information Technologies: A diverse set of techniques, processes and controls used to capture, manage, transform and communicate data.

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

We believe the following terms would benefit from further clarification, and we suggest specific enhancements below.

- IES 4.11(a)(ii) 'Demonstrate curiosity by exploring beyond what is immediately apparent' is somewhat vague. It is not clear how it is incremental to (i), (iii), and (iv). It is not clear how these four learning outcomes clearly link to professional judgment as

defined, with respect to having the ability to apply training, knowledge, skills and experience.

- IES 4.11(a)(iii) We recommend that the concept of having an awareness of potential personal and organizational bias be built into this learning (same for IES 8.9(iii))

- IES 8.9(a)(v) We do not believe 'and documented' is redundant given the continued focus on this area. We recommend that this term is reinstated.

- The words "adequate" and "sufficient" are used extensively and we believe these should be clearer or more definitive.

- Where there are examples these are appreciated. We suggest, when providing examples, that the IAESB describe that these are 'including, but not limited to, the following examples' for clarity.

Yours sincerely

Brad Samargya
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Development