

The International Accounting Education Standards Board
By email

16 March 2016

Dear Sirs

Response from the IIRC to the IAESB's consultation

The International Integrated Reporting Council (the IIRC) thanks the IAESB for the opportunity to comment on *Meeting Future Expectations of Professional Competence: A Consultation on IAESB's Future Strategy and Priorities*.

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting. The International <IR> Framework has been developed to meet this need and provide a foundation for the future.

Organizations are using <IR> to communicate a clear, concise, integrated story that explains how all of their resources are creating value. <IR> is helping businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance.

The IIRC is not an expert on education and learning in the accountancy profession and therefore we have chosen to make some general comments on the overall direction of the consultation paper. In doing so, we build on our recent initiative to develop a competence matrix for Integrated Reporting. The IAESB commented on the draft of the matrix. We thank you for a particularly thoughtful response to our request for feedback. In that response, the IAESB noted that <IR> 'is a developing area with significant potential to improve corporate reporting'. Our comments develop further on this theme.

The accountancy profession has become a significant advocate for Integrated Reporting <IR>, both through IFAC (with which the IIRC enjoys a successful collaboration and Memorandum of Understanding) and many of its member bodies. Several of those bodies have already adopted <IR> within their core professional syllabuses. In addition, a number of IFAC member bodies and international accounting firms are members of the IIRC Council and advocate for its adoption.

We believe that <IR> offers considerable opportunities for professional accountants to enhance their strategic role and influence, expanding their potential to report on the value of the whole business and encourage stronger collaboration across the organization to cultivate integrated thinking. This in turn will strengthen the decision-making facility of boards and engagement with providers of financial capital. This is set out in a range of reports – for example, IFAC's own report, [Creating Value with Integrated Thinking](#), which sets out the role of the professional accountant in promoting integrated thinking in their organizations.

Leading on from this, corporate reporting plays an important role in capital markets and the overall governance of the organization. Developments in investor stewardship codes and corporate governance codes and practices will therefore be of increasing relevance to professional education.

In light of these developments, which are widely supported in the accountancy profession, we make the following points in relation to your overall consultation.

Initial Professional Development

1. <IR> is currently positioned in IES 2 (a) (iv), with an emphasis on the interpretation of reports that include 'non-financial information'. Given the role of accountants in leading on Integrated Reporting, and the linkages to strategy and governance, we encourage the IAESB to describe <IR> more broadly in its competences for initial professional development.
2. The <IR> Competence Matrix highlights the linkages between strategy, governance and reporting. In the IIRC's matrix, competence areas have been introduced on integrated thinking, with learning outcomes related to strategy and governance. This includes the ability to explain and apply the fundamental concepts of value creation, the range of capitals used and affected by the organization, and the value creation process. These are concepts which go beyond financial reporting and will require a broader integration of performance metrics into internal decision-making and reporting. They are all areas where the professional accountant can take a leading role within the organization. The competences around this might be more fully embedded within the standards for initial professional development.

Continuing Professional Development

3. Turning to Continuing Professional Development, we suggest there is scope to offer more explicit direction around CPD on <IR> and other developments.
 - Given the increasing areas of specialization within the wide-ranging roles performed by accountants, there may be merit in offering more specific guidance on competences relating to specific areas of specialism and strategic management. This could include pointing to recognized specialist competence models and paths (which could include the <IR> Competence Matrix).
 - As we note in the paragraphs above, the professional accountant increasingly operates in a changing environment. This may have implications over time on the nature of the role of the professional accountant or on specific areas of competence. It will not be practical or desirable for the IAESB to reflect all of these changes in prescribed competences or areas for CPD – but it may be valuable to IFAC member bodies and others for the IAESB to highlight changes and the implications for professional accountants' development through reports or thought leadership papers that could be commissioned from expert third parties.

Professional Scepticism

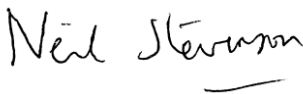
4. We agree with the emphasis on professional scepticism in your paper and the linkages to enhanced competence. The IAESB's comment letter on the<IR> Competence Matrix made this point eloquently: 'The application of a principles-based approach requires greater emphasis on an individual's professional judgment and scepticism'. We believe that a greater emphasis on the linkages between strategy, the business model, risks and risk appetite, as well as competences around future-oriented information and prospects may provide useful in this regard.

As a wider comment, we believe that it will be beneficial to the corporate reporting system as a whole for accountants to continue to embrace their role of innovation, in keeping with their public interest remit, to ensure that corporate reporting remains relevant, market-led and links to wider trends – such as promoting financial stability and sustainable development. Enhancing skills in professional judgment and scepticism will be valuable to support this direction.

We trust these comments are helpful to the IAESB's overall strategy and direction. We are very happy to provide further comment or input to the process as required. We wish you every success in the next steps of your strategic direction.

Kind regards.

Yours sincerely



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International Integrated Reporting Council