Use of Experts
Preliminary Task Force Views and Matters for Consideration

I. Background

1. Experts are increasingly being used by professional accountants (PAs):
   • In the preparation and presentation of financial and non-financial information.
   • In audit and other assurance (including sustainability) engagements.
   • In non-assurance services (e.g., advisory services).

   In particular, it is anticipated that as demand for sustainability information and assurance continues accelerating, the use of experts in this field will increase accordingly.

2. Noting this growing trend, the IESBA’s Use of Experts project is intended to (i) assess the sufficiency of the Code’s provisions when PAs use the work of experts in their professional activities, including for an audit or other assurance engagement, and (ii) develop new provisions as deemed necessary for PAs when they use experts. This project covers the use of experts in all fields or areas (i.e., not limited to sustainability).

3. This paper discusses:
   • What and Who is an Expert.
   • Current Ethics and Independence Considerations for the Use of Experts.
   • A Potential Ethical Framework to Guide Decision-Making When the Work of Experts is Used.
   • Experts Used in an Audit or Other Assurance Engagement.

   The Task Force is seeking IESBA feedback on the matters for consideration below.

What and Who is an Expert?

4. Experts are individuals or organizations that possess expertise (i.e., the skills, knowledge and experience) in a particular field or area.¹

5. Experts can be involved in many fields or areas. Those involved in more developed fields of expertise (i.e., with long-established generally accepted practices or standards) often already have some codes of ethics or conduct governing their ethical behavior and standard of professional services² – for example, actuaries, engineers, fraud examiners, forensic accountants, lawyers, valuers, tax advisors, etc. The Task Force observes that generally, such codes speak to the expectations concerning the experts’ integrity and competence, and also deal with confidentiality and conflicts of interest. These codes might be issued by the relevant industry-specific professional body(s). Members of such a professional body are then required to adhere to the body’s code.

6. Experts involved in emerging fields (such as in the reporting of sustainability information, or in accounting for digital assets such as crypto-currencies) might not have professional bodies or

¹ Appendix 1
² Appendix 2
established generally accepted practices. Such emerging fields might also involve a broad range of experts – for example, experts in sustainable development and corporate social responsibility might involve experts used in the sales, compliance, quality, human resources, health and safety, environmental and purchasing departments of an organization.  

7. The Task Force also observes the increasing use of certain AI tools (e.g., ChatGPT which was trained using text databases from the internet up to 2021) to generate responses to prompts or questions. The responses can take the form of coherent and seemingly authoritative statements or answers. Further, it has been reported that such AI systems have been able to pass medical, law and business school exams. The Task Force’s view is that such uses of the output of the technology is not equivalent to the use of the work of an expert. That is, AI is not an expert as it does not possess the skills, knowledge and experience in a particular field or area to be able to exercise judgment, interpret the inputs and outputs, and be accountable for them.

8. This view is supported by the development of various government regulations around the development and use of AI systems, e.g., the EU’s proposed regulatory framework for the development and use of AI systems. The Technology Working Group’s Phase 2 Report also highlights the impacts/risks of using the output of AI which includes bias, mis-/disinformation, etc. In this regard, the recently approved technology revisions to the Code provide guidance to aid a PA through the decision-making process when determining whether to use the output of technology (including AI such as ChatGPT). Such revisions build on concepts in the extant Code that are also relevant, for example, being aware of bias and having an inquiring mind.

*Ethics Considerations (including independence) for the Use of Experts in the Extant Code and Pronouncements Not Yet Effective*

9. The Code currently requires PAs to consider the following when determining whether the use of an expert is appropriate for the intended purpose:
   - The reputation and expertise of, and resources available to, the expert.
   - Whether the expert is subject to applicable professional and ethics standards.

10. Experts that are part of an audit or assurance team, for example, those within or engaged by the firm or within a network firm who can directly influence the outcome of the engagement (e.g., those who provide consultation regarding technical or industry-specific issues, transactions or events) or perform audit or other assurance procedures are subject to independence under the Code. However, the definitions of an audit team and an assurance team exclude external experts outside of the firm or network firm who possess skills, knowledge and experience in a field other than accounting or auditing.

11. Specific to experts used in the context of audit engagements, the International Standards on Auditing (ISAs) require that an auditor evaluate whether an external expert has the necessary competence, capabilities and objectivity for the auditor’s purposes. This includes making inquiries regarding

---

3 Appendix 3

4 “ChatGPT could be a Stanford medical student, a lawyer, or a financial analyst. Here’s a list of advanced exams the AI bot has passed so far.” *Business Insider, February 2023*, https://www.businessinsider.com/list-here-are-the-exams-chatgpt-has-passed-so-far-2023-1.
interests and relationships that might create a threat to that expert’s objectivity. If information prepared by a management’s expert is to be used as audit evidence, the ISAs also require that the auditor obtain an understanding (i) of the work performed by that expert, and (ii) about how the information prepared by that expert has been used by management in the preparation of the financial statements.

II. Potential Ethics Framework

12. Given the increasing use of the work of experts, and in particular in emerging fields or areas, the Task Force is seeking feedback on a potential ethics framework to guide PAs in their thought process when they determine whether or not to use the work of an expert. This framework would be intended to enhance the robustness of the Code’s provisions addressing the use of the work of experts.

13. This potential framework builds on the Code’s existing conceptual framework, and additionally, would provide three layers of guidance for PAs regarding the use of experts:

(a) Consider how the expert will be used and define the scope of the expert’s work;

(b) Identify facts and circumstances that might create threats for a PA when undertaking a professional activity which incorporates the work of experts; and

(c) Evaluate whether the use of the expert’s work is appropriate.

Illustrative drafting taking into account the current provisions in ISA 620 and the exposure draft for ISA 500 (Revised) for each of these three layers ((a) to (c)) of the framework is set out below.

14. With the exception of an external expert used in the context of an audit or other assurance engagement, the Code does not currently define what an expert is, or describe the possible ways in which experts might be used. Adding definitions to specify which individuals or organizations are scoped in as experts, and guidance as to how they might be used would assist PAs to first determine (i) which party is an expert, and (ii) how to use an expert and specify the scope of the expert’s work. The following table illustrates example definitions and explanatory guidance relevant to layer A of the framework:

Illustrative Drafting

Example Definitions of Experts

- **Expert**: An individual or organization that possesses expertise in a particular field or area.
- **Expertise**: Skills, knowledge and experience in a particular field or area.
- **Internal Expert**: An expert employed by the employing organization or firm.

---

5 ISA 620, *Using the Work of an Auditor’s Expert*

6 Proposed ISA 500 (Revised), *Audit Evidence*

7 The Task Force’s thinking at this stage is still exploratory. Coordination with the IAASB will take place at appropriate and regular intervals as the Task Force’s thinking matures following feedback from the global roundtables.

8 The Task Force will further consider these definitions in relation to the development of profession-agnostic standards in the context of sustainability assurance.
External Expert\(^9\): An expert engaged by the employing organization or firm.

- In the context of Part 4, an external expert is an expert engaged by the firm, who possesses expertise in a field or area other than accounting or assurance, to obtain sufficient appropriate evidence.
- In the context of Part 4, a management expert is an expert possessing expertise in a field or area other than accounting or assurance whose work is used by the client, for example, to prepare financial statements.

Example Explanatory Guidance Paragraphs on How Experts Might be Used

Experts can be involved in many fields or areas, ranging from those that are emerging to those that are more well established. More developed fields or areas of expertise might already have standards governing an expert’s ethical behavior and standard of professional services (for example, actuaries, engineers, fraud examiners, forensic accountants, lawyers, valuers, tax advisors, etc.).

Experts can also be involved in accounting or assurance. Generally, distinguishing between the PA’s expertise in accounting versus the expert’s expertise in a specialized area of accounting is straightforward:

- Not an expert: Individual with expertise in applying methods of accounting for deferred income tax, as it is an accounting matter, and a PA is expected to possess accounting expertise.
- Expert: Individual with expertise in taxation law, as it constitutes legal expertise.

However, in some cases, it will be a matter of professional judgment especially if involving an emerging area of accounting expertise. For example, the reporting of sustainability information, or dealing with accounting relating to specific technologies such as crypto-currencies. In such cases, applicable professional rules and standards regarding education and competency requirements for PAs might assist in exercising that judgment.

15. In accordance with the Code’s conceptual framework, layer B of the framework would highlight some examples of when the use of an expert’s work might create threats to the PA’s compliance with the fundamental principles. The following table illustrates types of threats that might be created in such situations:

<table>
<thead>
<tr>
<th>Illustrative Drafting</th>
</tr>
</thead>
</table>

### Identifying Threats Associated with Using the Work of Experts

The following are examples of facts and circumstances that might create threats for a PA when undertaking a professional activity which uses the work of an expert (whether internal or external):

- Self-interest Threats
  - A PA has insufficient understanding of the expert’s work.

---

\(^9\) Such example definition would replace the extant Code’s definition of “external expert:"

An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.
Use of Experts – Preliminary Task Force Views and Matters for Consideration
IESBA Meeting (March 2023)

Agenda Item 5-B

Page 5 of 19

- A PA seeks to hire an expert whose work will be favorable for the PA.
- A PA holds a financial interest in, or has a loan or guarantee from, or has a business relationship with, the external organization which produces the work of experts.

- Self-review Threats
  - A PA provides subjective and complex judgments on the data which informs part of the expert’s work.

- Advocacy Threats
  - A PA scopes the expert’s work deliberately as the expert’s previous work appears to support the desired outcome for the PA’s organization.

- Familiarity Threats
  - A PA having a long association with the expert.

- Intimidation Threats
  - A PA feeling pressure to accept the expert’s work due to the time or cost spent on it.
  - A PA feeling pressure to defer to the expert’s opinion due to the expert’s perceived authority.

16. Layer C of the enhanced ethical framework would include an ongoing assessment and evaluation by the PA of the expert and the experts’ work. This is to enable the PA to determine (i) whether to use the work of the expert in the first instance, and (ii) whether to continue using the work of the expert. The following flow-chart illustrates the thought process and considerations to guide a PA in this decision-making:

17. Illustrative example considerations for each sub-process in layer C is set out below. The considerations contained in each sub-process are intended to enable a PA to gain confidence that an expert can be trusted to make ethically appropriate decisions and that the expert’s work can be used and therefore relied upon. The considerations are also intended to enable a PA to determine the PA’s compliance with the fundamental principles of the Code when the work of an expert is used.

**Illustrative Example Considerations**

Example Considerations for Why the PA Needs an Expert
- The PA has insufficient knowledge, skills and experience.
- The PA has insufficient time or resources.

Example Considerations When Identifying the “Right” Expert
When a PA intends to use the work of an expert in the course of undertaking a professional activity, the PA shall determine whether the use is appropriate for the intended purpose. Factors to consider when a PA intends to use the work of an expert include:

- The expert's credentials, reputation and experience.
- The resources available to the expert.
- Whether the expert is subject to applicable professional, including ethics, standards.
- Whether the PA is aware of (through prior association or consulting with others), or whether expert has disclosed, any of the following which might impact the integrity and objectivity of the expert:
  - Non-compliance with laws and regulations.
  - Conflicts of interests.
  - Fees and business relationships.
  - Financial interests, loans and guarantees, other relationships and circumstances.

**Example Considerations for the Engagement and Ongoing Management of the Expert**

- The scope of the expert’s engagement.
- Whether the PA has access to all relevant information and inputs that inform the basis of the expert’s work.
- The oversight and controls relating to the PA’s use of expert (including around maintaining confidentiality and retention and access to the expert’s work papers).
- Communication between the expert and appropriate levels of management/ those charged with governance.

**Example Considerations in Evaluating the Reliability of the Expert’s Work**

- Criticality of the expert’s work to the preparation and presentation of information, an audit, or other assurance engagement.
- The ability of the PA to understand and explain the work of the expert.
- The reasonableness of data inputs, assumptions, methods, findings or conclusions informing the basis of the expert’s work.
- The consistency of the expert’s work with other information.
- Whether the expert’s work is subject to technical performance standards or other professional or industry generally accepted practices.

**Matter for IESBA Consideration**

1. Considering how are experts used, are the example definitions for experts appropriate in this context?
III. **Experts Used in an Audit or Other Assurance**

18. It is in the public interest and required by the Code that PAs performing audit and other assurance engagements be independent. Such independence is also extended to experts within, or engaged by, the firm or within a network firm who can directly influence the outcome of the engagement (e.g., those who provide consultation regarding technical or industry-specific issues, transactions or events) or perform procedures on the engagement. However, this excludes external experts outside of the firm or network firm who possess skills, knowledge and experience in a field other than accounting or auditing.

19. Drawing from the existing provisions in the ISAs which require that an auditor evaluate whether an expert used in an audit engagement has the necessary competence, capabilities and objectivity for the auditor’s purposes, the Task Force’s preliminary view is that the key attributes needed for external experts used in audit or other assurance engagements are (i) objectivity, and (ii) competence and capabilities.

20. The Task Force also notes the strong public interest perception that external experts used in an audit or other assurance engagement must be objective in carrying out their work. This is because an external expert’s objectivity directly influences whether the work of such external expert is reliable, sufficient and appropriate to use. This perception has become increasingly important as stakeholder expectations of, needs for, assurance over sustainability information increase and the use of experts by sustainability assurance providers becomes prevalent.

21. In this context, the potential ethics framework discussed above would provide the PA with a roadmap to:

   (a) Assess how the objectivity of the external expert might be impacted by facts and circumstances connected to the overall relationships between the external expert and the firm’s client (for example, those that give rise to conflicts of interest, and/or those stemming from some of the circumstances dealt with by independence provisions under the Code, such as holding financial interests in a client, etc.); and

   (b) Determine whether or not the external expert has the appropriate competence and capabilities.

22. Reflecting on the concepts underpinning independence\(^\text{10}\) in the Code, the Task Force notes that independence is fundamentally the establishment of guardrails to protect a PA’s compliance with the fundamental principles of objectivity and integrity, and the exercise of professional skepticism.

23. In this context, for those facts and circumstances impacting an external expert’s objectivity that are addressed by independence provisions under the Code, the question arises as to whether and which independence guardrails might be considered by the PA when assessing the external expert’s

---

\(^{10}\) Independence is linked to the fundamental principles of objectivity and integrity; and comprises:

   (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

   (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s, or an audit team member’s, integrity, objectivity or professional skepticism has been compromised.
objectivity, taking into consideration the public interest perception. The following table sets out the advantages and disadvantages in weighing this question:

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recent environment seeing an increased reliance on wide range of different experts providing inputs into the opinion/report.</td>
<td>• External experts do not have the same quality systems and processes and controls in place that a PA (or their firm or network firm) needs to implement.</td>
</tr>
<tr>
<td>• Stakeholders have a heightened expectation of the objectivity of the external experts.</td>
<td>• External experts are not under the direction and supervision of the engagement partner.</td>
</tr>
<tr>
<td>• Public interest arising from the reliance on the work of external experts.</td>
<td>• Independence (linked to objectivity which is already required under ISA 620) might be an overly rigorous set of requirements to apply to external experts.</td>
</tr>
<tr>
<td>• Individuals (other than external experts) with direct influence on the outcome of the audit are scoped in for independence under the audit team definition, even if they are external to the firm.</td>
<td>• Requiring external experts to be independent may limit the pool of available experts, giving rise to practicality issues.</td>
</tr>
<tr>
<td></td>
<td>• Cost and complexity of imposing independence requirements on the external expert and monitoring compliance.</td>
</tr>
</tbody>
</table>

24. The Task Force’s view is that there is a strong public interest to address the extent to which independence guardrails might be established to protect in particular the objectivity of external experts when their work is used in an audit or other assurance engagement. The PA would then be responsible for assessing the external expert’s independence, and therefore objectivity, against the appropriate independence provisions that would be provided for under the Code. The Task Force recognizes that independence requirements cannot be imposed directly by the Code upon the external expert as (i) it is a third party not under the control or supervision of the PA or its firm, and (ii) such external expert is not part of the audit or assurance team delivering the service. A PA therefore might consider if it would be appropriate to contractually stipulate such independence requirements when engaging the external expert.

25. Three possible approaches to how a PA might assess the objectivity of an external expert by assessing such external expert’s compliance with the appropriate independence provisions under the Code, and their respective advantages and disadvantages have been considered by the Task Force.
Approach A
PA to assess whether the external expert has complied with the same independence requirements that a PA, the PA’s firm or network firm is subject to when an audit is performed:

<table>
<thead>
<tr>
<th>Approach A</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Meets certain stakeholder expectations.</td>
<td>• Disproportionate burden on external expert and firm which might result in a limited pool of experts available.</td>
</tr>
<tr>
<td></td>
<td>• Conceptually simpler.</td>
<td>• Cost and complexity for monitoring compliance with independence versus the actual uplift in audit or assurance quality.</td>
</tr>
</tbody>
</table>

Approach B
PA to assess whether the external expert has complied with the same independence requirements that individuals outside the audit firm’s network who are part of the audit or assurance team are subject to:

<table>
<thead>
<tr>
<th>Approach B</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Approach already established.</td>
<td>• Approach is for audit engagements, while use of external experts extends to audit and other assurance engagements.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• It is the external expert’s work which might directly influence the audit outcome, rather than the external expert in a decision-making capacity that impacts the outcome of the audit.</td>
</tr>
</tbody>
</table>

Approach C
PA to assess whether the external expert has complied with select independence requirements specific to the nature of the external expert used:

<table>
<thead>
<tr>
<th>Approach C</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Focused and scalable independence requirements for the</td>
<td>• Introduces a level of subjectivity when determining which external experts should</td>
</tr>
</tbody>
</table>

26. On balance, the Task Force considers that approach C is the most appropriate to address public interest perception while also taking into account the practical implications of implementation. This is because it would introduce a differentiated and scalable framework relevant to the nature of the expert’s work and its criticality to the preparation and presentation of information, or in an audit or other assurance engagement. Approach C also allows the Task Force to explore how other provisions of the Code might be applicable in the context of assessing the objectivity of the external expert (for example, there may be circumstances where the external expert to be used for an audit or assurance engagement might also be concurrently an advisor of a competitor of the audit or assurance client, giving rise to conflict of interests).

27. A PA applying this differentiated framework approach would follow the potential decision-making process as set out below:

28. In order to allow appropriate scalability, this approach is hinged on whether the external expert’s work would significantly influence the outcome of the engagement. If so, and the engagement is an audit or other assurance engagement, select independence provisions would apply to the external expert (as an individual).

29. The Task Force’s view is that external experts used in the performance of a non-assurance service (NAS) engagement do not need to comply with independence provisions under the Code. For external experts used in such context, the Task Force believes that the extant Code’s “reason to believe” principle would be appropriate (e.g., when the NAS team knows, or has reason to believe, that a relationship or circumstance involving the external expert is relevant to the PA’s evaluation of the external expert’s objectivity, the PA should determine whether the use of such expert is appropriate.)

30. Under this approach, once a PA determines that an external expert’s work has significant influence on the outcome of an audit or other assurance engagement, the PA has to assess and determine if the external expert is objective, through an assessment of the external expert’s compliance with select independence provisions. Such assessment facilitates the PA’s evaluation of an external...
expert’s objectivity. Along with applying the ethics framework, this assessment would help the PA to determine whether the external expert’s work is reliable, sufficient and appropriate to use. This is akin to an auditor’s evaluation of audit evidence in proposed ISA 500 (Revised).

31. Where the PA concludes that the external expert has not met the select independence requirements, this would mean that the external expert’s objectivity might be impacted and the PA’s use of the work of the external expert in an audit or other assurance engagement might not meet the intended purpose. As a result, the external expert’s work cannot be used. The PA would then need to consider whether to modify or add to procedures or engage another external expert to perform the necessarily work. The independence of the PA, the PA’s firm or network firm would, however, not be impacted.

**Matter for IESBA Consideration**

2. Is the proposed approach to addressing the ethics (including independence) expectations regarding the use of experts appropriate?

32. Illustrative drafting in relation to determining whether the external expert’s work would significantly influence the outcome of the engagement is set out below:

**Illustrative Drafting**

Engagements might be performed on a wide range of underlying subject matters that require specialized skills and knowledge beyond those possessed by the audit or assurance team and for which the work of an external expert is used. In some situations, the expert will be consulted to provide advice on an individual matter, but the greater the significance of the expert’s work in the context of the engagement, the more likely it is that expert will work as part of a multi-disciplinary team comprising subject matter experts and other engagement personnel, and the more that expert’s work is integrated in the nature, timing and extent of the overall work effort, and accordingly, the outcome of the engagement.

Examples of considerations to evaluate the level of significance of the external expert’s work on the outcome of the engagement might include:

- The nature, scope, and objective of the intended use of the external expert.
- Criticality of the work of the external expert to the outcome of the audit or other assurance engagement, including group engagements as relevant.
- The complexity and subjectivity of the work of the external expert, including reliability of underlying data used.
- The degree of responsibility the external expert has over the inputs, assumptions and methodologies used.
- Whether the work of the external experts is based on generally accepted standards or law or regulation such that the work if performed by two or more parties is not likely to be materially different.
- The external expert’s relevant financial interests, loans and guarantees, business relationships, and other relationships and circumstances.
Use of Experts – Preliminary Task Force Views and Matters for Consideration
IESBA Meeting (March 2023)

Matters for IESBA Consideration

3. What are the considerations for a PA to assess the significance of the expert’s work to the PA’s work, for example, whether the subject matter is emerging, complex, or critical to the PA’s work?

33. The Task Force has on a tentative basis considered certain facts and circumstances contained in the independence provisions in the Code which might impact an external expert’s objectivity. These are set out below, i.e., the PA would assess the external expert’s compliance with requirements (to be developed under this approach) addressing the expert’s:

- Financial Interests – Since an external expert holding a financial interest in the firm’s client might create a self-interest threat for that expert.
- Loans and Guarantees – Since an external expert holding a loan or a guarantee of a loan in the firm’s client might create a self-interest threat for that expert.
- Business Relationships – Since an external expert having a close business relationship with the firm’s client or its management might create a self-interest or intimidation threat for that expert.
- Family and Personal Relationships – Since an external expert having family or personal relationships with personnel of the firm’s client might create a self-interest, familiarity or intimidation threat for that expert.
- Recent Service with a Client – Since an external expert who recently served as a director or officer, or employee of the firm’s client, might create self-interest, self-review or familiarity threats for that expert.
- Serving as a Director or Officer of a Client – Since an external expert who is serving as a director or officer of the firm’s client creates self-review and self-interest threats for that expert.
- Employment With a Client – Since an external expert who has employment relationships with the firm’s client might create a self-interest, familiarity or intimidation threat for that expert.

Matters for IESBA Consideration

4. For assurance engagements, if the external expert’s work is significant to the PA’s work, which facts and circumstances between the external expert and the firm’s assurance client should be assessed by the PA? Consider, for example:

- Financial Interests
- Loans and Guarantees
- Business Relationships
- Family and Personal Relationships
- Recent Service with a Client
- Serving as a Director or Officer of a Client
34. As the Task Force develops its thinking following feedback from the IESBA and CAG discussions and the global sustainability roundtables, it will give further consideration to other matters including:

- How the approach might apply to experts that are individuals versus organizations.
- How to assess relationships between an expert organization’s controlling shareholders and the client’s controlling shareholders.
- How the approach might differ if the firm’s client is a public interest entity (PIE) versus non-PIE.
- How the approach would apply for group engagements.
- The period during which independence would be required of the external expert.
- The communications expectations between an engagement partner and the external expert.
- The PA’s considerations and actions when there is failure of an external expert to comply with, or a potential breach of, the contractual provisions outlining the ethics, including independence, expectations contained in the engagement letter.
- Documentation expectations.
- Applicability to profession-agnostic standards in the context of sustainability assurance.

**Matters for IESBA Consideration**

5. What are other considerations might be relevant to the proposed approach?

6. Should the proposed approach focus on the:

   - Individual expert?
   - Expert’s team? and/or
   - Expert’s organization?
What is an “Expert”?

Existing Definitions in the ISAs and IESBA Code

1. ISA 620 Using the Work of an Auditor’s Expert defines the following terms:
   - Auditor’s Expert: 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.
   - Expertise: Skills, knowledge and experience in a particular field.
   - Management’s Expert: An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

2. Exposure Draft: ISA 500 (Revised) Audit Evidence defines the following terms:
   - Management’s expert: An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

3. IFAC’s International Education Standards (IES) refers to the term ‘expert’ in IES 8 Audit Engagement Partner Competence. Such references to the term therein are as defined by ISA 620.

4. ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information defines a ‘Practitioner’s Expert’ as: “an individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the practitioner to assist the practitioner in obtaining sufficient appropriate evidence. A practitioner’s expert may be either a practitioner’s internal expert (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm), or a practitioner’s external expert.”

5. IESBA defines ‘External Expert’ as: “an individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.”

Layman Perspective

6. The following table lists a few examples of dictionary definitions of the term:

<table>
<thead>
<tr>
<th>Dictionary</th>
<th>Noun</th>
<th>Adjective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambridge</td>
<td>A person with a high level of knowledge or skill relating to a particular subject or activity.</td>
<td>Having or showing a lot of knowledge or skill.</td>
</tr>
</tbody>
</table>
Dictionary | Noun | Adjective
--- | --- | ---
Merriam-Webster | One with the special skill or knowledge representing mastery of a particular subject. | Having, involving, or displaying special skill or knowledge derived from training or experience.
Oxford Languages | A person who has a comprehensive and authoritative knowledge of or skill in a particular area. | Having or involving authoritative knowledge.

**Other Conceptual Definitions and/or Literature**

7. Other conceptual definitions and/or literatures in relation to the term use of an ‘expert’ or similar, i.e., ‘specialist’ include:

- **PCAOB AS 1210: Using the Work of an Auditor-Engaged Specialist**: A specialist is a person (or firm) possessing special skill or knowledge in a particular field other than accounting or auditing. Because income taxes and information technology are specialized areas of accounting and auditing, this standard does not apply to situations in which a person with specialized skill or knowledge in income taxes or information technology participates in the audit. **AS 1201, Supervision of the Audit Engagement**, applies in those situations.

- **University of Western Australia “External auditors’ evaluation of a management’s expert’s credibility: Evidence from Australia (2019):”** Experts are considered cognitive authorities, i.e., reliable, worthy of belief. To be recognized as a cognitive authority, one should have domain-specific knowledge and expertise, recognition as an authority in the field to provide credible information based on present reputation, and accomplishments and be considered trustworthy.

- **Cornell Law School’s Legal Information Institute**: An expert witness is a person with extensive experience or knowledge in a specific field or discipline beyond that expected from a layperson. An expert witness can testify their opinion within their expertise. An expert opinion must be based on sufficient facts or data and reliable principles or methods.

- **Auditor-General New Zealand’s Client Substantiation File**: An entity may engage the services of an external party (an expert) to provide assistance to determine the actual result of financial and/or non-financial information data for use in the financial statements or performance report.
Fields of Experts and Relevant Codes of Ethics

1. Experts can be involved in many fields. Many subject matter experts already have code of ethics and/or conduct governing their ethical behavior and standard of professional services or standard setting within their expertise. For example:

**Actuaries**

2. Institute and Faculty of Actuaries\(^\text{11}\) (IFoA)’s ethical code of conduct has six principles: integrity; competence and care; impartiality (e.g., by bias, conflict of interest, or undue influence of others); compliance; speaking up (e.g., when members believe, or have reason to believe, that a course of action is unethical or is unlawful); and communication (e.g., any material potential misunderstanding or misinterpretation by users of the output).

3. American Academy of Actuaries\(^\text{12}\) (AAA)’s code of professional conduct has professional and ethical standards on: professional integrity; qualification standards; standards of practice; communications and disclosure (e.g., identification of actuary responsible, disclosure of any financial or organizational independence matters); conflict of interest; control of work product (e.g., recognizing risks of misquotation, misinterpretation, or other misuse); confidentiality; courtesy and cooperation; advertising; titles and designations; and violations.

**Engineers/ Technologists**

4. Institute of Electrical and Electronics Engineers\(^\text{13}\) (IEEE)’s code of ethics has three overarching themes: to uphold the highest standards of integrity, responsible behavior, and ethical conduct in professional activities (e.g., privacy, conflict of interest, unlawful conduct, technical competence); to treat all persons fairly and with respect, to not engage in harassment or discrimination, and to avoid injuring others; and to strive to ensure this code is upheld by colleagues and co-workers (e.g. not to retaliate against individuals reporting a violation).

5. Institute of Industrial and Systems Engineers\(^\text{14}\) (IISE)’s code of ethics has four fundamental principles (e.g., honesty and impartiality) and seven fundamental cannons (e.g., only performing services in the areas of their competence, conflict of interest, association with only reputable persons or organizations, continuation of professional development).

---

\(^\text{11}\) The IFoA is the UK’s only chartered professional body dedicated to educating, developing and regulating actuaries based both in the UK and internationally. The IFoA regulates and represents over 30,000 members worldwide, overseeing their actuarial education at all stages of qualification and development throughout their careers. We set examinations, continuing professional development, professional codes and disciplinary standards for our members.

\(^\text{12}\) The AAA is a D.C.-based 19,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. It’s code of professional conduct has been adopted by the Society of Actuaries, the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, and the Conference of Consulting Actuaries.

\(^\text{13}\) The IEEE is a technical professional organization with over 409,000 members in over 160 countries consisting of engineers, scientists, and allied professionals whose technical interests are rooted in electrical and computer sciences, engineering, and related disciplines. Members actively participate in research and authorship, conferences, and important conversations about relevant technical topics locally and globally.

\(^\text{14}\) IISE is a professional association that provides leadership for the application, education, training, research, and development of industrial and systems engineering. Its community includes nearly 20,000 members and 45,000-plus customers.
Fraud Examiners and Forensic Accountants

6. Association of Certified Fraud Examiners\textsuperscript{15} (ACFE)’s code of professional ethics contains eight principles around: professionalism and diligence; illegal or unethical conduct (e.g., conflict of interest); exhibition of the highest level of integrity (e.g., reasonable expectations that assignments will be completed with professional competence); compliance with laws (i.e., without bias or prejudice); evidence or other documentation; confidentiality; no omission of matters which could distort the facts; continuous increase in competence and effectiveness. Its standards of processional conduct further express such basic principles of ethical behavior, including a responsibility to communicate scope and limitations of their work.

7. American Board of Forensic Accounting (ABFA)’s code of ethics lists 10 principles (e.g., reporting the truth, avoiding conflicts of advocacies or interest, monetary interests, expressing expert opinion based on knowledge, skill, education, training and experience)

Lawyers

8. American Bar Association (ABA)’s model rules of professional conduct, and among other matters, covers: competence and diligence; communications; fees; confidentiality; conflict of interest; knowledge of violation of legal obligations or laws imputed; safekeeping of property (e.g., account funds); and truthfulness in statements to others.

9. New York City Bar (NYCB)’s rules of professional conduct cover, among other matters, those as highlighted above for the ABA.

Valuers

10. The International Valuation Standards Council (IVSC) is the independent global standard setter for the valuation profession, with 180 member organizations operating in 137 countries, and has a code of ethical principles. However, access to such code is limited to members only.

11. Appraisal Institute\textsuperscript{16} (AI)’s code of professional ethics outlines five canons (e.g., refraining from acting in a detrimental manner; qualifications and compliance; development of unbiased analyses, opinions and conclusions; confidentiality; advertising or soliciting in a misleading manner or contrary to the public interest) and exceptions to the ethical rules (e.g., force majeure; contrary laws or regulations).

Tax Advisors

12. There is a separate profession\textsuperscript{17} for tax advisors in Germany. Tax advisors are subject to statutory professional duties which are regulated in three acts. The third act is the professional code which contains provisions for independence (e.g., personal and economic independence should be maintained and independence is not guaranteed should commissions or other benefits are accepted or client risk is assumed), confidentiality, professional behavior, etc.

\textsuperscript{15} ACFE has 90,000+ members worldwide.

\textsuperscript{16} AI is a professional association of real estate appraisers, with over 16,000 professionals in almost 50 countries throughout the world. Their mission is to empower valuation professionals through community, credentialing, education, body of knowledge and ethical standards.

\textsuperscript{17} i.e., they are not subject to the German Public Accountant Act and the by-laws of the WPK that incorporate the Code of Ethics.
13. European Tax Advisor Federation’s Charter of Regulated European Tax Advisors contains general rules which deal with professional due diligence, the independence (e.g., must comply with national rules of independence) and objectivity of the represented professions (e.g., conflict of interest), mandatory professional training and confidentiality, etc.

14. There is a separate profession for tax advisors in Japan called “Certified Public Tax Accountants” which adheres to a professional conduct act, which notes that such advisors shall be to strive from an independent and fair, and ensure the fulfillment of the tax liabilities stipulated in laws and ordinances concerned with taxes.
Appendix 3

Reference to Experts Used in Sustainability – IESBA Sustainability Questionnaire Responses and IFAC’s State of Play Research on Sustainability Assurance Reports

1. The IESBA sustainability questionnaire (7 received to date) did not contain specific questions geared to the use of experts/specialists/others. However, one respondent\(^{18}\) did highlight that the major challenge in sustainability assurance and reporting is competence and the lack of access to sustainability expertise or professionals, also noting that sustainability will require expertise in many different sub-fields.

2. IFAC staff have confirmed that their State of Play Research did not directly review whether third-parties or specialists were used by audit firms and other assurance providers when conducting an engagement related to sustainability assurance. However, they did note that “it was not something we observed often when reviewing assurance reports.”

3. Nevertheless, IFAC staff assisted by following up with a review of about 50 assurance reports (out of the 96 reports from the 2021 research) and only found one example of a firm that referenced the use of experts. Such reference appeared to be in relation to experts internal to the firm (Alstom – French company that received assurance from PwC (page 313 – 314)):

   We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some hundred interviews with the people responsible for preparing the Statement, representing Sustainable Development and CSR, Sales, Compliance, Quality, Human Resources, Health and Safety, Environmental and Purchasing departments.

4. In this regard, IESBA Staff notes that one respondent\(^{19}\) to the IESBA sustainability questionnaire provided an illustrative template assurance report issued in Germany on a limited assurance engagement in respect of non-financial statements which disclaims any assurance opinion on the work of experts used in the engagement:

   We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the consolidated non-financial statement, which are marked unassured / (see annex to the assurance report).

---

\(^{18}\) ERM CVS, part of ERM Global, which provides environmental, health, safety, risk, and social consulting services and sustainability related services.

\(^{19}\) IDW