

Significant Issues and Task Force Proposals

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I. Background

1. During the June 2023 IESBA meeting, the IESBA considered and provided feedback on the Task Force (TF)'s proposed [approach](#) to addressing the ethics and independence considerations regarding the use of experts, including external experts in an audit or assurance context. As part of its discussions, the IESBA considered the [feedback](#) from the global roundtables held in late March/early April 2023 as well as the CAG at its March 2023 meeting.
2. Following the direction provided by the IESBA at that meeting, the TF developed the first-read draft of the new and revised Glossary definitions, and new Sections 390, 290 and Part 5 equivalent of Section 390 in **Agenda Items 7-B, 7-C, 7-D, and 7-E** respectively. The draft texts also consider the stakeholder feedback received in June/July 2023 from the IESBA-National Standard-Setters (NSS) Liaison Group, Forum of Firms and IAASB staff.
3. In developing the draft texts, the TF has maintained the consistency and interconnectivity between Parts 2, 3 and 5 where relevant. To facilitate the IESBA's review, **Agenda Items 7-D and 7-E** (proposed new Section 290 and the Part 5 equivalent of Section 390) are in mark-up from **Agenda Item 7-C** (proposed new Section 390).
4. For simplicity, this paper only refers to paragraphs in Part 3 and to a professional accountant (PA) in the context of Part 3. However, all such references also apply to the relevant paragraphs and to a sustainability assurance practitioner in the Part 5 equivalent of Section 390.

II. Scope and Approach

A. Experts Used in Any Professional Activity or Professional Service

5. As noted in the [project proposal](#), the scope of the project encompasses ethics considerations regarding the involvement of an expert in (i) the preparation and presentation of financial and non-financial information, and (ii) the provision of audit, other assurance and non-assurance services.

TF Proposal

6. The TF believes that the proposed ethics provisions warrant new Sections in Parts 2 and 3 of the Code focused on using experts' work since the issues concerning the use of experts are unique. An equivalent Part 5 Section is also proposed for sustainability assurance engagements.
7. The uniqueness of the use of an expert is rooted in a PA requiring expertise outside the PA's knowledge and skills to perform a professional activity or service. This gives rise to a degree of reliance on the expert's work by the PA. Furthermore, the expertise of an expert is broader than a PA's and can be in fields that range from well-established to emerging ones. Therefore, threats to a PA's compliance with the fundamental principles might be created if the expert and the expert's work are not appropriately evaluated.
8. The draft texts set out in the proposed new Sections provide guidance that applies to all experts (other than management's experts), regardless of their fields of expertise, and whether engaged or employed by an employing organization or firm.
9. Consistent with any other provisions of the Code, the proposed provisions in the new Sections do not override laws and regulations prevailing in a given jurisdiction. Further, extant paragraph 100.7 A1 of the Code remains applicable, i.e., where a jurisdiction has provisions that differ from or go beyond those in the Code, PAs need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

B. Using the Work of a Management's Expert

10. Various stakeholders have questioned whether the ethical expectations pertaining to the use of a management's expert versus the use of an external expert are different.

TF Response

11. As noted in the ISA 500 (Revised) Exposure Draft,¹ management may employ or engage experts in fields other than accounting (e.g., actuarial, valuation, engineering, or climate change and sustainability) to obtain information necessary to prepare the financial statements.
12. The TF believes there is a rebuttable presumption that work performed by the management's expert comes from the client's perspective, akin to management's books and records. In addition, management takes full responsibility for the work of any expert it uses to assist in preparing management's books and records.
13. Accordingly, for the PA, the work of a management's expert is just part of the overall information from management that a PA considers in providing any professional service. This circumstance impacts how the PA would then assess the work of a management's expert, as there is a presumption that

¹ Proposed International Standard on Auditing (ISA) 500, *Audit Evidence*

the objectivity of the management's expert would be the same as for any other source of information that is received from or produced by management, since the management's expert is employed or engaged by the client.

14. Accordingly, management's experts are not considered experts for the purposes of the project and, therefore, not within the scope of the proposed new Sections. The proposed new Sections 290 and 390 (and the equivalent Section in Part 5) set out the relevant ethical requirements addressing the use of the work of an expert other than a management's expert.

C. External Experts Used in an Audit or Other Assurance (Including Sustainability) Engagement

15. The project's scope also encompasses addressing independence considerations for an external expert when used in an audit or other assurance engagement.
16. During the March 2023 IESBA meeting, the TF presented its initial thinking that the key attributes required of an external expert in an audit or other assurance engagement is competence, capabilities and objectivity. This thinking drew from the existing provisions in ISA 620.² Additionally, given public interest perceptions of the need for such an external expert to be independent, there was a view that select independence requirements should be applied to safeguard their objectivity. Specifically, the Task Force posited that if the external expert's work significantly influences the outcome of the engagement, the Code should require such expert to be independent ("significant influence test.")
17. Feedback from the global roundtables on this preliminary view was mixed. The feedback highlighted concerns around the implementability of requiring external experts to be independent when they are not under a firm's direction, supervision and review, and not subject to the Code. Additionally, concerns over the enforceability and subjectivity over the significant influence test were raised. In this regard, there was support for a principles-based approach in determining whether the external expert is objective, as the facts and circumstances will differ from one case to another. Specifically, there was an argument that the onus should be on the PA to identify and evaluate the level of threats to the external expert's objectivity before concluding whether to use the external expert's work.
18. Accordingly, the IESBA at its June 2023 meeting deliberated whether to take an objectivity or independence approach with respect to an external expert used in an audit and other assurance engagement. In particular, an alternative independence approach could require an external expert to confirm their independence to the PA, similar to the approach taken with component auditor firms outside of a group auditor firm's network firm in a group audit engagement.
19. Although there was a view that an independence approach should be taken, the IESBA generally supported the Task Force's proposal to take an objectivity³ approach since (i) there are no systems of quality management in place for external experts who are not under the direction, supervision and review of the firm, and (ii) it is the presumptive responsibility of the PA to ensure that if they intend to use the work of an external expert, such external expert is objective. The onus should, therefore, be on the PA to evaluate the external expert's objectivity, with the key principle being that a PA should not use the work of an external expert if the expert is not objective.

² ISA 620, *Using the Work of an Auditor's Expert*

³ Extant paragraph 120.15 A1: "...Independence is linked to the fundamental principles of objectivity and integrity..."

TF Response

20. The TF's approach in proposed Section 390 and the equivalent Section in Part 5 recognizes stakeholders' heightened expectations of independence in relation to external experts used in audit or other assurance (including sustainability assurance) engagements, given the public interest importance of the audit or assurance report as it is relied upon by stakeholders for decision-making. Specifically, it moves away from the concept of a significant influence test that would only apply select independence requirements to a limited pool of external experts that meet the "significant influence" threshold, and instead broadens the applicability of the proposed provisions to all external experts.
21. At the same time, the approach also recognizes that external experts generally do not have the systems of quality management that PA firms must design, implement and operate to monitor independence for engagement team (ET) and other audit/assurance (including sustainability assurance) team (AT) members. It also recognizes that external experts are not, as defined, ET or AT members.
22. Therefore, to address stakeholders' heightened expectations in relation to external experts used in audit or other assurance engagements, the Task Force proposes an approach that additionally requires a PA to evaluate specific interests, relationships and circumstances relative to the external expert's objectivity. These additional specific considerations are aligned with the independence attributes required for ET and other AT members as set out in Parts 4A and 4B of the Code. If the PA concludes that an external expert is not objective based on the evaluation of such independence attributes, the PA cannot use the work of the external expert. See further discussion in [General Principle Relating to the Evaluation of Objectivity](#) below.

Matter for IESBA Consideration

Does the IESBA agree with the Task Force's objectivity approach (including the related rationale) for external experts used in an audit or assurance engagement?

III. Definitions

A. Definition of Expertise

23. In June 2023, the TF proposed a definition of expertise that was aligned with the ISAs, i.e., defining expertise as knowledge, skills and experience.
24. However, the TF observed some inconsistency with the proposed definition and how "expertise *and/or* experience" is used in the extant Code. For example, based on a high-level search of the 2022 [digital e-Code](#), the TF observed the following:
 - Extant paragraph 120.5 A5: "The accountant's *expertise and experience* are sufficient to reach a conclusion."
 - Extant paragraph R230.3: "A professional accountant shall not intentionally mislead an employing organization as to the level of *expertise or experience* possessed."
25. Furthermore, the TF observed that the concept of "experience" in the extant Code appears to be used as a factor to determine whether a PA had sufficient knowledge/training/qualifications/competence. For example, based on a high-level search of the 2022 digital eIS Code, the TF observed the following:

- Extant paragraph R115.2: "... A professional accountant shall be honest and truthful and shall not make...exaggerated claims for the services offered by, or *qualifications or experience* of, the accountant..."
 - Extant paragraph 230.3 A1: "The principle of professional competence and due care requires that a professional accountant only undertake significant tasks for which the accountant has, or can obtain, sufficient *training or experience*."
 - Extant paragraph 300.7 A4: "The client has *competent employees with experience* and seniority to make managerial decisions."
 - Extant paragraph 524.4 A4/924.4 A4: "...Assigning to the audit/assurance team individuals who have *sufficient experience* relative to the individual who has joined the client."
 - Extant paragraph R540.9: "...When a firm has only a few people with the *necessary knowledge and experience* to service as a key audit partner..."
26. The TF also considered jurisdictional literature such as [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."

TF Proposal

27. The TF consulted various dictionary definitions of "expert" and noted that those definitions generally do not include the element of experience:

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

28. Accordingly, the TF has revised the proposed definition of "expertise" to refer only to knowledge and skills. In doing so, the TF's view is that the element of experience is a complementary factor that strengthens confidence in the expert, besides the expert's expertise (knowledge and skills).

B. Definition of Expert and External Expert

29. At the June 2023 IESBA meeting, the TF proposed that an external expert is an individual or organization with expertise outside the PA's competence whose work is used to assist the PA in performing a professional activity or service. This definition was intentionally broader than the extant Code's definition of an external expert which includes expertise in a field other than accounting or auditing. The intention for broadening the scope of expertise for an external expert was to capture the circumstance where a non-PA practitioner might use an expert with accounting expertise, which could be particularly relevant for sustainability assurance engagements.

30. Feedback from the NSS and IAASB highlighted that such a definition might inadvertently undermine the need for an ET member to have audit and assurance competence to perform an audit or other assurance engagement.
31. In addition, IESBA feedback indicated that such a definition might raise questions about whether an internal auditor might also be an expert.

TF Response

32. Regarding the definition of an expert, the TF reaffirmed its view that the definition should be kept broad and benchmarked to the PA's competence. The underlying concept of when an expert might need to be used more generally is when the PA lacks sufficient expertise to perform a professional activity or service. In such circumstances, the PA might seek an expert to assist them. This concept is particularly relevant as the term expert (whether employed or engaged by an employing organization or firm/practitioner) also applies to PAs in business and PAs in public practice who perform non-assurance services (NAS). Additionally, the TF proposes to clarify in the proposed definition of an expert that an internal auditor is not an expert.
33. Regarding external experts used in audit or other assurance (including sustainability assurance) engagements, the TF noted the basic expectation for a PA to have the relevant auditing and assurance competence.
34. Accordingly, in the context of an audit, the TF proposes that the definition of an external expert explicitly include an individual "possessing expertise in a field other than accounting or auditing." This change reinstates the extant Code concept and is aligned with the definition of the term in the ISAs. It also serves to delineate between an external expert and:
 - Individuals who perform audit procedures (thus having audit expertise) who are part of the ET and are subject to independence.
 - Individuals with expertise in accounting or other technical or industry-specific matters who provide consultations and who are part of the AT and are subject to independence.

In this regard, broadening the definition of external expert in the context of an audit to include accounting expertise would have departed from the current practice and led to the situation whereby such individuals are treated as external experts, who are not subject to independence.

35. In the context of assurance (including sustainability assurance) practitioners, the proposed new definition of external expert excludes those "possessing expertise in a field other than assurance." This recognizes that assurance practitioners might not necessarily be PAs and might use an external expert with accounting expertise, while ensuring that practitioners must have assurance expertise to perform assurance procedures. Those practitioners performing assurance procedures are thus ET members subject to independence. This is aligned with the concepts in the IAASB's assurance standards and its proposed International Standard on Sustainability Assurance (ISSA) 5000,⁴ as well as the extant and proposed new or revised definitions of ET and AT (including sustainability AT).

⁴ Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

C. Distinguishing Between AT Members and External Experts

36. During the June 2023 IESBA meeting, there was a question concerning how to distinguish between individuals who are providing consultation regarding technical or industry-specific issues, transactions or events for the engagement versus individuals who are external experts.
37. The former is an AT member and subject to the Code's independence requirements, while the latter will be subject to the proposed new Section 390 or its equivalent Section in Part 5 as applicable.

TF Response

38. The TF recognizes that an expert can be involved in an audit or other assurance (including sustainability assurance) engagement but would have different roles depending on their expertise. For example, those performing procedures are ET members, while those providing consultation are AT members.
39. The TF's view is that a consultation essentially constitutes advice sought on, for example, a specific piece of work or transaction, etc. The individual providing the consultation does not perform the piece of work used for the engagement. Furthermore, under ISQM 1⁵ and ISA 220 (Revised),⁶ the outcome resulting from such a consultation must be implemented.
40. This differs from using an external expert to perform work to be used in the engagement. Before the work of an external expert can be used, the PA needs to perform procedures over such work to determine its sufficiency and appropriateness as evidence. Accordingly, the PA can determine not to use the external expert's work.
41. This distinction and the different roles of an expert who can be involved in an audit or other assurance engagement is clarified in the proposed new Section 390 and the equivalent Section in Part 5.

Matter for IESBA Consideration

Does the IESBA agree with the Task Force's proposals and rationale concerning the proposed new and revised definitions?

IV. Evaluating the Expert's Competence, Capabilities and Objectivity

42. Proposed paragraph R390.7 requires a PA to evaluate an expert's competence, capabilities and objectivity to determine whether using the expert's work is appropriate. Proposed paragraph R390.15 prohibits using the expert's work if the PA concludes that the expert is not competent, capable or objective.

A. Consideration of the Expert's Team and Organization

43. Various stakeholders have questioned how the draft texts interact with an expert's team and organization.

⁵ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁶ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

TF Response

44. The proposed new definition of an expert includes an individual or organization. In applying the proposed provisions, the evaluation of the expert's competence, capabilities and objectivity (CCO) is envisioned to be conducted with respect to the individual who oversees the expert work.
45. The TF's approach also takes into account that an expert might have a supporting team and that it would be the expert's responsibility to determine what support from the team is needed to perform the work.
46. Therefore, for external experts used in an audit or other assurance engagement, the TF believes that objectivity must be evaluated for all individuals on a team that an expert uses to perform the work. This approach recognizes stakeholders' heightened expectations concerning the "independence" of the external expert and any supporting team, and is aligned with the applicability of the Part 4 independence provisions to all AT members.

B. General Principle Relating to the Evaluation of Objectivity

47. The TF's view is that the direct threat to the expert's objectivity generally arises from the interests and relationships with the entity at which the expert is performing work. Furthermore, the TF considered that requiring objectivity of an expert concerning entities at which the expert is not performing work would be unduly onerous, especially considering that the expert might not even have systems of quality management in place to monitor such interests and relationships.
48. Accordingly, the provisions concerning evaluating the expert's objectivity focus on the entity at which the expert is performing work.
49. Additionally, recognizing stakeholders' heightened expectations regarding external experts used in an audit or other assurance (including sustainability assurance) engagement, the TF proposes requirements in the new Section 390 and the equivalent Section in Part 5 to strengthen considerations regarding the expert's objectivity:
 - Proposed paragraph R390.10 requires the PA to request the expert to disclose specific interests, relationships and circumstances between the external expert and the entity at which the expert is performing the work. These disclosures draw from the independence attributes in Parts 4A/4B of the extant Code. After receiving such information, the PA must evaluate the expert's objectivity according to proposed paragraph R390.7.
 - Proposed paragraphs R390.12 and R390.13 require the PA to request the client and the expert to notify the PA of any other interest, relationship or circumstance of which they are aware between the expert and (a) the client, and (b) the entity at which the expert is performing the work. For example, this could include:
 - Any direct financial interest or material indirect financial interest in the client held by the expert or their immediate family.
 - Close family members or other close relationships of the expert who are in a position to exert significant influence over the preparation of the financial or non-financial information of the entity, or the records underlying such information.
 - Any interests or relationships with the client and those entities over which it has direct or indirect control.

After receiving such information, the PA must evaluate the expert's objectivity in accordance with proposed paragraph R390.7.

Such a requirement recognizes that if the expert has an interest or relationship in the client, there is a risk that it might influence the expert to produce a 'favorable' result for the entity as the PA uses the expert's work for purposes of the audit/assurance report.

Furthermore, the principle covers all possible permutations of interests, relationships and circumstances that might create an unacceptable level of threat to the expert's objectivity.

50. To facilitate the practical application of these requirements, proposed paragraphs R390.6 and 390.6 A1 set out that a PA, when agreeing the terms of engagement with the expert, might consider discussing the PA's expectations regarding the expert's objectivity, including information needed from the expert to facilitate the PA's evaluation of that objectivity.
51. The TF believes that this approach would help mitigate the potential practical challenge of the expert declining to disclose information about relevant interests or relationships, etc., after the PA has engaged the expert. Thus, if an expert refuses to disclose such information when the PA and the expert seek to agree the terms of engagement, the PA can determine not to engage such an expert.
52. The TF considered potential concerns that the PA might rely on everything provided by the expert in paragraphs R390.10 and R390.12 without undertaking any corroborative work. However, the TF notes that in applying the proposed paragraph R390.7 to evaluate the expert's objectivity, the PA must, as required by the conceptual framework:
 - (a) Have an inquiring mind;
 - (b) Exercise professional judgment; and
 - (c) Use the reasonable and informed third party test.

Accordingly, the PA cannot accept the information provided without appropriately applying the conceptual framework.

53. In applying these requirements, the TF is not anticipating that an external expert must set up, or have in place, a system of quality management similar to that expected for a firm or practitioner. This would not be enforceable or practical. For example, where a PA requires an external expert to disclose any direct financial interest or material indirect financial interest held by the external expert or their immediate family in the entity at which the expert is performing work, the external expert is not expected to set up an internal monitoring process on the financial interests of everyone in the expert's organization or that the external expert should inquire of everyone in the organization about such matter. Instead, with due notice when agreeing the terms of engagement, the expert is afforded the opportunity to take the appropriate steps, in good faith, to gather the necessary information to disclose to the PA.
54. The TF believes that this approach is balanced, proportionate and implementable and can address the public interest expectations concerning the "independence" of external experts used in an audit or other assurance (including sustainability assurance) engagement.

Matter for IESBA Consideration

- Does the IESBA agree with the general principle regarding evaluating an expert's objectivity?
- In the context of an audit or other assurance (including sustainability assurance) engagement, does the IESBA agree that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning the external expert's "independence?"

C. Bias

55. Bias inherently affects the objectivity of all individuals. As such, a factor that is relevant to evaluating the expert's objectivity includes considering whether there is any known potential bias that might affect the exercise of the expert's professional judgment. (See paragraph 390.7 A7.)
56. The TF notes that it might be challenging to ascertain whether an expert has potential bias, as bias can be conscious or unconscious. When applying this factor, the TF observes that the following are examples that indicate a known potential bias:
- Past public statements or reports with the same conclusions.
 - Work performed by the expert in the past that tends to use the same judgments and assumptions.

D. Experts that are ET/AT Members

57. The approach set out in the proposed new Section 390 (and the equivalent Section in Part 5) is also applicable to ET/AT members who are experts. However, the TF recognized that where an expert (other than an external expert) is an ET/AT member, they are already subject to independence. Therefore, meeting the independence requirements will satisfy the additional objectivity requirements for experts used in an audit or other assurance engagement. Accordingly, the draft text explicitly makes this point clear in proposed paragraph 390.15 A1.
58. In relation to the provisions detailing the evaluation of the competence and capabilities of the expert, the TF recognizes that firms are already required to ensure that they have the appropriate competence and capabilities to perform an engagement from the perspective of quality management. However, the TF is of the view that the proposed provisions in the new Sections strengthen and clarify expectations from an ethical perspective and therefore should still be applied to ET/AT members who are experts.

Matter for IESBA Consideration

Does the IESBA agree with the approach to require a PA to evaluate the competence and capabilities of ET/AT members who are experts?

V. Agreeing and Using the Work of an Expert

A. Performance Standards

59. During the June 2023 IESBA meeting, a few IESBA members questioned whether the guidance relating to agreeing and using the work of an expert is necessary, since the IAASB's standards already address this. Other IESBA members noted that such guidance is necessary for experts used in NAS and also in the context of Part 5 sustainability assurance engagements performed by non-PAs who might not be applying the IAASB's standards.

TF Response

60. The TF noted that such guidance is in the context of the ethical behavior of the PA when they use an expert's work, rather than from the perspective of performing audit or assurance procedures. Therefore, it is necessary. In particular, it would be relevant for non-PA sustainability practitioners who might not be applying the IAASB's standards.

B. Scalable and Proportionate Approach

61. During the June 2023 IESBA meeting, there was a suggestion to consider whether the approach could be scalable and proportionate, for example, delineating the objectivity approach for external experts used in an audit or other assurance engagement depending on whether or not the client is a public interest entity (PIE).

TF Response

62. The TF's view is that unlike independence provisions, which can set out specific prohibitions pertaining to PIE clients versus non-PIE clients, the fundamental principle of objectivity cannot differ for different clients since it concerns ethical behavior.
63. In addition, scalability is already built into the objectivity approach set out in proposed new Section 390 (and its equivalent Section in Part 5) as it is based on the nature of the engagement and the PA's evaluation of the expert's interests and relationships.

C. Safeguards (Including Transparency)

64. During the June 2023 IESBA meeting, there was a question as to whether there are any safeguards to address the threat of using an external expert who is not objective in an audit or other assurance (including sustainability assurance) engagement. This might be particularly relevant where there might be a limited number of experts in a particular jurisdiction or an emerging field.
65. Specifically, there were some views that PAs can still use external experts who are not objective if appropriate transparency is provided to stakeholders, for example, through disclosures in the audit or other assurance report or through communication with those charged with governance.

TF Response

66. The TF's view is that if an external expert is not objective, the work of such expert cannot be used in an audit or other assurance engagement, especially given the heightened public interest expectations and stakeholder reliance on the audit or assurance report. In particular, introducing transparency as a mitigating action for objectivity could create an "easy out" and shift the burden and responsibility to evaluate the objectivity of an external expert from the PA to stakeholders.

67. Finally, the Task Force believes that an expert's competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions/fields with a limited number of experts.
68. The TF notes that where it is determined that there are no experts available in a particular field or jurisdiction, the PA could:
- Consider using an expert from another jurisdiction.
 - Consider consulting with the appropriate regulatory or professional body and ascertain the proper next steps.

Matter for IESBA Consideration

Does the IESBA agree with the Task Force's proposals and rationale (i) not to introduce transparency as a safeguard, and (ii) not to lower the bar of objectivity for emerging markets?

VI. Using the Work of Others

69. Various stakeholders have questioned whether third-party data providers or other sources of information provided by others is work performed by an expert.
70. The TF also considered whether additional guidance should be developed with respect to using the work of others.

TF Response

71. The TF's view is that individuals or organizations that provide datasets for general purposes are not experts. Such individuals or organizations include, for example:
- Those that provide industry or other benchmarking data or studies, such as information about real estate prices that is suitable for use by a broad range of users, or mortality tables for general use.
 - Those within employing organizations or firms (i.e., IT teams) on matters relating to the use of technology and data governance, including maintaining confidentiality.
 - Management's expert (i.e., in the context of ISA 500, ISAE 3000 (Revised),⁷ and proposed ISSA 5000).
 - Those that provide sustainability certifications with no assurance elements.
72. Concerning whether there should be additional guidance developed with respect to using the work of others, the TF observes that:
- Extant paragraphs R220.7 and 220.7 A1 already provide guidance on using the work of others.
 - Extant Part 3 of the Code does not address using the work of others. However, extant paragraphs R220.7 to 220.7 A1 are still relevant in Part 3 as a result of the applicability provisions in the Code.
 - Using the work of others is outside the remit of this project.

⁷ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

73. The TF has proposed clarification that the work of experts does not constitute the work of others in the proposed consequential amendment to paragraph R220.7.

VII. Communicating with Those Charged with Governance and Documentation

74. The TF has proposed guidance regarding these two matters, which would also apply to external experts used in a NAS and experts who are ET/AT members.
75. However, the TF notes that this guidance might be perceived as a duplication of relevant requirements in the Code concerning these two matters with respect to ET/AT members, and unnecessary for PAs using experts in a NAS.

Matter for IESBA Consideration

The TF requests IESBA members for views on the proposed provisions related to communicating with those charged with governance and documentation for (i) ET/AT members, and (ii) external experts used in a NAS.

VIII. Additional Considerations for Part 5 Sustainability Assurance

A. Another Practitioner

76. The TF considered whether the use of "another practitioner" in a sustainability assurance engagement who is not under the direction, supervision and review of the sustainability assurance practitioner is similar to the use of an external expert who is also not under the direction, supervision and review of the sustainability assurance practitioner.
77. The TF observes that the function and expertise of another practitioner and an external expert are fundamentally different. The former performs assurance work that the practitioner uses to gather sufficient appropriate evidence. The latter does not perform any assurance work, and the practitioner must still perform procedures over the expert's work to determine whether it can be used.
78. The use of another practitioner in a sustainability assurance engagement is being addressed by Sustainability Workstream 1.

B. Use of External Experts Across the Sustainability Value Chain

79. The TF view is that the general principle regarding [evaluating objectivity](#) remains applicable. The evaluation refers to the entity at which the practitioner performs work.
80. In some circumstances, such entity might be different from the entity that engaged the practitioner (i.e., such entity could be a supplier in the value chain that is outside the organizational boundary of the entity that engaged the practitioner, or such entity is a related entity of the entity that engaged the practitioner in a group sustainability assurance engagement).
81. Specifically for the Part 5 equivalent to proposed Section 390, the TF considered whether to expand the evaluation of objectivity to other entities within the client's value chain (i.e., outside of the client's organizational boundary) but believes this would neither be practical nor manageable. For example, a particular supplier within a client's value chain might also be the supplier to many other entities. Such supplier might then become inundated with numerous requests to provide information about interests, relationships and circumstances with its customers. Whether such supplier would even

respond is outside the control of the practitioner, client or entity at which the expert is performing work.

82. Accordingly, the TF has proposed that the scope of the evaluation of objectivity remains as set out in proposed Section 390 for Part 5 sustainability assurance engagements.

C. External Experts that are also Sustainability Assurance Practitioners

83. Various stakeholders have questioned whether the proposals would address circumstances where an expert also acts as an assurance provider on a specific subject matter, which might be common when there is a limited number of experts in the field or area regarding such subject matter.

TF Response

84. The self-review threat provisions of the equivalent NAS section of proposed Part 5 sustainability assurance standards would cover the circumstance where an expert also acts as an assurance provider on a specific subject matter.

D. Materiality

85. Paragraph 390.18 A1 sets out the relevant factors in evaluating the level of identified threats to compliance with the fundamental principles arising from using the work of an expert. One such factor is "the materiality of the subject matter of the expert's work to the information being reported." The TF notes that in applying this factor in the context of sustainability assurance engagements, the determination of materiality, and whether it is single or double materiality, will depend on how it is conceptualized and specified in the applicable framework/criteria in accordance with which the sustainability information is being reported (for example, materiality in the EU's Corporate Sustainability Reporting Directive (CSRD) or in the standards of the International Sustainability Standards Board (ISSB)).

IX. Transitional Provisions

86. As mentioned above, the TF believes that an expert's competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions/fields with a few experts. For example, in relation to objectivity, the work of an expert cannot be used if they have certain interests in, or relationships with, the entity at which they undertake the work.
87. The TF has considered the public interest in allowing the market to transition to the new steady state. Limitations in the availability of experts are a matter of timing as the market capacity will gradually adjust to meet the demand. Therefore, the TF will consider whether it is appropriate to develop appropriate transitional provisions while being cognizant of the need not to lower the bar regarding an expert's competence, capabilities and objectivity.

X. Consideration of the Public Interest Framework (PIF)

88. The Task Force recognizes that the new standard must meet the key characteristics of the PIF. In particular, the standard needs to be comprehensive, scalable, clear, implementable, and enforceable.
89. In assessing the proposed draft texts against those key PIF characteristics, and in particular, concerning the heightened public interest expectations concerning the "independence" of external

experts used in an audit or other assurance (including sustainability assurance) engagement, the TF notes that its proposals meet the PIF characteristics of:

- **Comprehensiveness**, due to the development of a comprehensive ethical framework based on the Code's conceptual framework that covers the use of experts in audit and other assurance (including sustainability assurance) engagements, NAS, as well as for PAs in business.
- **Scalability**, due in particular to the proportionality in the evaluation of objectivity, taking into account the nature of the engagement, and applying greater rigor to evaluate objectivity against independence attributes for external experts in an audit and other assurance context.
- **Clarity**, due to the clear distinction among internal, external and management's experts.
- **Implementability**, due to the focus on the evaluation of objectivity by a PA/non-PA practitioner versus imposition of independence requirements on external experts in an audit or other assurance context, which would require the experts to implement potentially costly and burdensome internal systems, policies and procedures to continuously monitor, evaluate and report their independence when they are not assurance providers.
- **Enforceability**, due to the clear requirements for PAs/non-PA practitioners.

90. Based on the TF's evaluation set out above, the table below summarizes the TF's assessment of the extent to which the first-read draft texts meet the key PIF characteristics (five stars mean it fully meets, and one star indicates that it fails to meet the characteristic). The assessment will be updated after input from the IESBA at its September 2023 meeting.

<i>PIF Characteristics</i>				
<i>Comprehensiveness</i>	<i>Scalability</i>	<i>Clarity</i>	<i>Implementability</i>	<i>Enforceability</i>
*****	*****	****	****	****