

**Use of Experts Project – Part 3: Proposed Revisions (Mark Up from Extant) and
New Section (Mark Up from [October](#) IESBA Circulation)**

**SECTION 320 (MARK UP FROM EXTANT)
PROFESSIONAL APPOINTMENTS**

...

Requirements and Application Material

...

Using the Work of an Expert

~~**R320.10** — When a professional accountant intends to use the work of an expert in the course of undertaking a professional activity, the accountant shall determine whether the use is appropriate for the intended purpose.~~

~~320.10 A1 — Factors to consider when a professional accountant intends to use the work of an expert include:~~

- ~~• The reputation and expertise of, and the resources available to, the expert.~~
- ~~• Whether the expert is subject to applicable professional and ethics standards.~~

~~Such information might be gained from prior association with, or from consulting others about, the expert.~~

No change from September posted draft.

...

Other Considerations

~~320.11² A1 When a professional accountant is considering using the work of experts or the output of technology, a consideration is whether the accountant is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.~~

~~320.11 A2 When a professional accountant intends to use the work of an expert, the requirements and application material set out in Section 390 apply.~~

No change from September posted draft.

...

PROPOSED NEW SECTION 390 (MARK UP FROM OCTOBER IESBA CIRCULATION) USING THE WORK OF AN EXTERNAL EXPERT

Introduction

- 390.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 390.2 Using the work of an external expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.
- 390.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an external expert.

Requirements and Application Material

~~Circumstances Where an External Expert Might Be Used~~General

- 390.4 A~~13~~13 A self-interest threat to compliance with the principles of integrity and professional competence and due care is created if a professional accountant performs a professional service for which the accountant has insufficient expertise ~~to perform a professional service~~.
- 390.4 A~~24~~24 An action that might be a safeguard to address such a threat is to use the work of an external expert for the professional service.
- 390.4 A~~34~~34 An external expert might be used to undertake specific work to support a professional service provided by a professional accountant. Such work can be in a field that is well-established or emerging. Examples of such work include:
- The valuation of assets such as complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired in business combinations, and assets that may have been impaired.
 - The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, environmental liabilities, site clean-up liabilities, and those associated with insurance contracts or employee benefit plans.
 - The calculation of greenhouse gas emissions.
 - The ~~definition and~~ measurement of pollutants emitted to air, water and soil.
 - The valuation of products and materials designed along principles for a sustainable economy.
 - The estimation of oil and gas reserves.
 - The interpretation of contracts, laws and regulations, including tax laws and regulations, tax treaties and bilateral agreements.
 - ~~The accounting for specific matters, including applying methods of accounting for deferred income tax or financial instruments.~~

- Assessment and evaluation of cybersecurity systems.

390.4 A42 This section does not apply to:

- (a) The use of the work of ~~an expert employed or engaged a management's expert, who is an individual or organization possessing expertise in a field other than accounting, auditing, or assurance whose work in that field is used~~ by the client to assist the client in preparing the financial or non-financial information. Such work is deemed to be information provided by management; and
- (b) The use of information provided by individuals or organizations that are external information sources ~~for general use, are not experts.~~ Such individuals or organizations ~~are not experts. They~~ include, for example, those that provide industry or other benchmarking data or studies, such as information about employment statistics including hours worked and compensation per week by geographical area, real estate prices, carbon emissions by vehicle type, mortality tables, or other datasets for general use.

Changes are to reflect IESBA participants offline comments and suggestions on the October draft, including:

- Enhancements to the flow of the above paragraphs.
- Sub-heading which appeared too limited given that the paragraphs that follow do not only discuss the circumstances where external experts might be used.
- In 390.4 A3, for simplicity, the example of expert's work re "accounting for..." deleted given that an external expert in the context of an audit is an individual without accounting expertise. However, it has been retained in the Part 5 equivalent as an external expert in the sustainability assurance context could be one with expertise in accounting, especially viewed from the perspective of a practitioner who is not a professional accountant (PA). Other examples reflect some editorial refinements to streamline the text.
- In 390.4 A4(a), withdrawal of the term "management's expert" to avoid confusion since it is (i) not defined, and (ii) this section only applies to external expert. However, the TF views that it is still important to retain para 390.4 A4(a), since throughout the development of the provisions, there have been numerous questions about whether the provisions apply to management's expert and what is a management's expert.
- In 390.4 A4(b), to emphasis the "for general use" concept upfront, and to clarify wording around such individuals or organizations not being experts. Also, to add in the information sources (as contained in the proposed S5390 September posted draft) as they are also applicable to PAPPs.

Agreeing the Terms of Engagement Work to be Performed by with an External Expert

All Professional Services

R390.5 If the professional accountant has identified an external expert to use for a professional service, the accountant shall, to the extent not otherwise addressed by law, regulation or other professional standards, agree the terms of engagement with the external expert, including:

- (a) The nature, ~~and~~ scope and objectives of the work to be performed by the external expert; and

- (b) In the context of audit or other assurance engagements, the provision of information needed from the external expert for purposes of assisting the accountant's evaluation of the external expert's competence, capabilities and objectivity.

Changes are to reflect IAASB staff comments and suggestions on the October draft from a coordination perspective:

- Recognition that other IAASB standards discuss the PA's responsibilities in terms of agreeing the terms of engagement. The concern was that PA's might get confused if there are duplicate requirements.
- Accordingly, language has been added to avoid duplication where other professional standards, law or regulation cover this.
- However, the TF view is that it is important to retain this para from the ethics perspective, as it also facilitates the PA's evaluation of CCO.

390.5 A1 In agreeing the terms of engagement, matters that the professional accountant might discuss with the external expert include:

- The ~~purpose,~~ intended use and timing of the external expert's work.
- The external expert's general approach to the ~~expert's~~ work.
- Expectations regarding confidentiality of the external expert's work and ~~theirs~~ inputs to that work.
- The expected ~~format and~~ content and format of the external expert's completed work, including any assumptions made and limitations to that work.
- Expectations regarding the external expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the client, or those working for or under the direction of the client, of which the external expert becomes aware in relation to the client when performing the work.

Evaluating ~~Whether to Use the Work of the External Expert's~~ Competence, Capabilities, and Objectivity

All Professional Services

R390.6 ~~In determining whether it is appropriate to use the work of an external expert, t~~The professional accountant shall evaluate ~~whether: (a) T~~the external expert's has the necessary competence, and capabilities; and ~~(b) The objectivity of the expert and their organization for the accountant's purpose.~~

The TF considered IESBA participants' October comments with respect to whether the CCO evaluation should be concluded prior to the external expert starting the work (and therefore prior to agreeing the terms of engagement with the external expert in R390.5).

The TF's view is that in practice, it may not be practicable to wait until the CCO evaluation has been completed before engaging the external expert as there may be unavoidable constraints such as a tight window within which an external expert can complete the work, time needed for the external expert to

secure the information requested for the CCO evaluation, etc.

Accordingly, the TF is proposing that the Code not preclude the external expert from beginning the work while the CCO evaluation proceeds at the same time, provided that the external expert has agreed to the terms of engagement to provide all the information necessary to facilitate the evaluation. The changes to paragraph R390.6 (which are aligned with ISA 620 paragraph 9 “The auditor shall evaluate whether the auditor’s expert has the necessary CCO for the auditor’s purposes”) allows for that possibility from an operability perspective.

However, as set out in the requirement below (paragraph R390.12), prior to *using* the external expert’s work, the PA must conclude on CCO. Ultimately, the purpose of the CCO evaluation is to determine whether the PA can use the external expert’s work.

Separately, the TF considered IESBA participants’ Sept and Oct questions about whether the factors for considering an expert’s objectivity also include the interests and relationships of an external expert’s organization. The TF view is that indeed, certain interests or relationships held between the external expert’s organization and the entity at which the external expert is performing the work could impact the external expert’s objectivity.

In applying the provisions in this section, the PA would then need to exercise professional judgment when taking into account such interests and relationships at the organizational level (as explicitly specified in 390.6 A4, R390.8 and 390.11 A1) in evaluating whether the external expert is objective.

390.6 A1 A self-interest, self-review or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a professional accountant uses an external expert: ~~-(a) Who does not have the competence, capabilities or objectivity to deliver the work needed for the particular professional service; or (b) Whose organization is not objective with respect to that work.~~

390.6 A2 Factors that are relevant in evaluating the competence of the external expert include:

- Whether the external expert’s credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed.
- Whether the external expert belongs to a relevant professional body and, if so, whether the external expert is in good standing.
- Whether the external expert’s work is subject to professional standards issued by a recognized body, or follows generally accepted principles or practices, in the external expert’s field or area of expertise.
- Whether the external expert has a track record of performing similar work for the professional accountant’s firm or other clients.

390.6 A3 Factors that are relevant in evaluating the capabilities of the external expert include:

- The resources available to the external expert.
- Whether the external expert has ~~adequate~~ sufficient time to perform the work.

390.6 A4 Factors that are relevant in evaluating the objectivity of the external expert include:

- Whether the external expert is subject to ethics standards issued by a professional body in the external expert's field or area of expertise.
- Whether the external expert or their organization has a conflict of interest in relation to the work the external expert is performing at the entity.
- Whether the professional accountant knows or is aware of any bias that might affect the external expert's work.
- Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their organization in undertaking the work.

~~390.6 A5 — A factor that is relevant in evaluating the objectivity of the external expert's organization is whether the organization has a conflict of interest in relation to the work the expert is performing at the entity.~~

See comment on 390.6 A1. Accordingly, 390.6 A5 is withdrawn and merged with 390.6 A4.

390.6 A~~5~~⁶ Examples of previous judgments made or activities performed by an external expert or their organization that might create a self-review threat to the external expert's objectivity include:

- Having advised the entity on the matter for which the external expert is performing the work.
- Having produced data or other information for the entity which is then used by the external expert in performing the work or is the subject of that work.

390.6 A~~6~~⁷ Information about ~~an~~ the external expert's competence, capabilities and objectivity might be obtained from various sources, including:

- Personal association or experience with previous work undertaken by the external expert.
- Inquiry of others within or outside the professional accountant's firm who are familiar with the external expert's work.
- Discussion with the external expert about their background, including their field of expertise and business activities.
- Inquiry of the external expert's professional body or industry association.
- Articles, papers or books written by the external expert and published by a recognized publisher or in a recognized journal or other medium.
- Published records, such as legal proceedings involving the external expert.
- Inquiry of the client and, if different, the entity at which the external expert is performing the work regarding any interests and relationships between the external expert and the client or the entity.
- The system of quality management of the professional accountant's firm.

Last bullet added to align with ISA 620 para A15.

Audit or Other Assurance Engagements

390.7 A1 Stakeholders have heightened expectations regarding the objectivity of an external expert whose work is used in an audit or other assurance engagement. Therefore, Paragraphs R390.8 to R390.11 set out further actions in evaluating the objectivity of an external expert and their organization in an audit or other assurance engagement pursuant to paragraph R390.6.

Responsive to IESBA participants' comment to explain why there are additional requirements for audit or other assurance engagements.

R390.8 The professional accountant shall request the external expert to ~~disclose~~provide, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, information about:

- (a) Any direct financial interest or material indirect financial interest held by the external expert, their immediate family, or the external expert's organization in the entity;
- (b) Any loan, or guarantee of a loan, made to the entity by the external expert, their immediate family, or the external expert's organization, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's organization, as applicable, and the entity;
- (c) Any loan, or a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's organization from the entity if it is a bank or similar institution, other than where the loan or guarantee is made under normal lending procedures, terms and conditions;
- (d) Any loan, or a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's organization from the entity if it is not a bank or similar institution, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's organization, as applicable, and the entity;
- (e) Any close business relationship between the external expert, their immediate family, or the external expert's organization and the entity or its management, other than where the financial interest is immaterial and the business relationship is insignificant to the external expert, their immediate family or the external expert's organization, as applicable, and the entity or its management;
- (f) Any previous or current engagements between the external expert or their organization and the entity;
- (g) How long the external expert has been associated with the entity;
- ~~(h)(a) Any previous public statements by the expert or their organization which advocate for the entity;~~
- ~~(i)(h)~~ Any position as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information, or the records underlying such information:
 - (i) Held by the external expert or their immediate family;

(ii) Previously held by the external expert before the period covered by the audit or assurance report; or

(iii) Held or previously held by management of the external expert's organization;

(i) Any previous public statements by the external expert or their organization which advocated for the entity;

(j) Any fee or contingent fee or dependency on fees or other types of remuneration due to or received by the external expert or their organization from the entity;

(k) Any benefits received by the external expert, their immediate family or the external expert's organization from the entity;

(l) Any conflict of interest the external expert or their organization might have in relation to the work the external expert is performing at the entity; and

(m) The nature and extent of any interests and relationships between the controlling owners of the external expert's organization and the entity.

R390.9 Where the external expert uses a team to carry out the work, the professional accountant shall request the external expert to have all members of the external expert's team ~~disclose~~provide, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, the information set out in paragraph R390.8.

R390.10 ~~A~~The professional accountant shall request the external expert to communicate any changes in facts or circumstances regarding the matters set out in paragraph R390.8 that might arise during the period covered by the audit or assurance report or the engagement period.

R390.11 Where the client is not the entity at which the external expert is performing the work, the professional accountant shall also request the external expert to disclose, in relation to the period covered by the audit or assurance report and the engagement period, information about interests, relationships or circumstances of which they are aware between the external expert, their immediate family or the external expert's organization and the client.

390.11 A1 Examples of interests, relationships or circumstances between the external expert and the client that might be included in the evaluation of the external expert's objectivity include:

- Any direct financial interest or material indirect financial interest in the client held by the external expert, their immediate family, or the external expert's organization.
- Any interests or relationships of the external expert, their immediate family or the external expert's organization with the client and those entities over which it has direct or indirect control.
- Any conflicts of interest the external expert, their immediate family or the external expert's organization might have with the client.

390.11 A2 Information about interests, relationships or circumstances between an external expert or their organization and the client might be obtained from inquiry of the client, if disclosure of the use of the external expert to ~~a~~the client does not undermine the intended purpose of the

professional accountant in using the work of the external expert.

R390.11 focuses only on the expert (rather than both the expert and the client) to take into account that at times, audit procedures might require that the use of an expert, i.e., for investigative purposes, should be kept confidential and not disclosed to the client.

The TF considered IESBA participant Oct comment about whether A2 should be a requirement as it seems to be an exception to R390.11. However, the TF notes that A2 is not an exception – rather, it is supporting material as how one might apply R390.11, bearing in mind that there are circumstances where the PA might not want to inquire with the client about the expert used, for example, in those situations highlighted above.

All Professional Services

R390.12 The professional accountant shall not use the work of the external expert's ~~work~~ if:

- (a) The accountant is unable to obtain the information needed for the accountant's evaluation of the external expert's competence, capabilities ~~or and~~ objectivity, ~~and the expert's organization's objectivity~~; or
- (b) The accountant determines that the external expert is not competent, capable or objective, ~~or their organization is not objective~~.

See comment re R390.6

Potential Threats Arising from Using the Work of an External Expert

All Professional Services

390.13 A1 Threats to compliance with the fundamental principles might still be created from using the work of an external expert even if a professional accountant has satisfactorily concluded that the external expert has the necessary competence, capabilities and objectivity for the accountant's purpose.

~~**R390.13**—Where a professional accountant is using the work of an external expert, the accountant shall identify, evaluate, and address any threats to compliance with the fundamental principles.~~

- 390.13 A1 added in response to an IESBA participant's Oct comment to explain why there is still evaluation of threats when using the work of an external expert after the CCO evaluation has been concluded.

- R390.14 deleted as it is repeating the requirement to apply the conceptual framework in 390.1 to 390.3.

Identifying Threats

390.14 A1 Examples of facts and circumstances that might create threats to a professional accountant's compliance with the fundamental principles when using an external expert's work include:

- (a) Self-interest threats
 - A professional accountant has insufficient expertise to understand and explain the external expert's conclusions and findings.

- A professional accountant has undue influence from, or undue reliance on, ~~the an~~ external expert or multiple external experts when performing a professional service.
 - A professional accountant has insufficient time or resources to evaluate the external expert's work.
- (b) Advocacy threats
- A professional accountant promotes the use of an external expert who has known bias towards conclusions which are favorable to the client.
- (c) Familiarity threats
- A professional accountant has used the work of the same external expert for a long period of time or in multiple professional services.
- (d) Intimidation threats
- A professional accountant feels pressure to defer to the external expert's opinion due to the external expert's perceived authority.

Evaluating Threats

390.15 A1 Factors that are relevant in evaluating the level of such threats include:

- The scope and purpose of ~~the work of~~ the external expert's work.
- The impact of the external expert's work on the professional accountant's engagement.
- The nature of the ~~professional accountant's engagement~~ professional service in which the external expert's work is intended to be used.
- The professional accountant's oversight relating to the use of the external expert and the external expert's work.
- The external expert's ability to explain the inputs, assumptions, methodologies and conclusions of the external expert's work.
- The appropriateness of, and transparency over, the data, assumptions and other inputs and methods used by the external expert.
- The professional accountant's ability to understand and explain the external expert's work and its appropriateness for the intended purpose.
- Whether ~~the work of~~ the external expert's work is subject to technical performance standards or other professional or industry generally accepted practices, or law or regulation.
- Whether ~~the work of~~ the external expert's work, if it were to be performed by two or more parties, is not likely to be materially different.
- The consistency of the external expert's work, including the external expert's conclusions or findings, with other information.

- The availability of other evidence, including peer-reviewed academic research, to support the external expert's approach.
- Whether there is pressure being exerted by the professional accountant's firm to accept the external expert's conclusions or findings due to the time or cost spent by the external expert in performing the work.

Addressing Threats

390.16 A1 An example of an action that might eliminate a familiarity threat is identifying a different external expert to use.

390.16 A2 Examples of actions that might be safeguards to address threats include:

- Consulting with qualified personnel who have the necessary expertise and experience to evaluate the external expert's work, obtaining additional input, or challenging the appropriateness of the external expert's work for the intended purpose.
- Using another external expert to reperform the external expert's work.
- Agreeing with the client additional time or resources to complete the engagement.

Other Matters

External Experts in Emerging Fields or Areas

390.17 A1 Expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop. Emerging fields might also involve multiple areas of expertise. There might therefore be limited availability of external experts in emerging fields or areas.

390.17 A2 Information relating to some of the factors relevant to evaluating the competence of an external expert in paragraph 390.6 A25 might not be available in an emerging field or area. For example, there might not be public recognition of the external expert, professional standards might not have been developed, or professional bodies might not have been established in the emerging field. In such circumstances, a factor that might assist the professional accountant in evaluating an external expert's competence is the external expert's experience in a similar field as the emerging field, or in an established field, that provides a reasonable basis for the external expert's work in the emerging field.

Using the Work of Multiple External Experts

R390.18 When a professional accountant uses the work of more than one external expert in the performance of a professional service, the accountant shall consider whether, in addition to the threats that might be created by using each external expert individually, the combined effect of using the work of the external experts might create additional threats or impact the level of threats.

Inherent Limitations in Evaluating an External Expert's Competence, Capabilities or Objectivity

390.19 A1 Paragraph R113.3 sets out communication responsibilities for the professional accountant with respect to limitations inherent in the accountant's professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.

Communicating with Management and Those Charged with Governance When Using the Work of an External Expert

390.20 A1 The professional accountant is encouraged to communicate with management, and where appropriate, those charged with governance:

- The purpose of using an external expert and the scope of the external expert's work.
- The respective roles and responsibilities of the accountant and the external expert in the performance of the professional service.
- Any threats to the accountant's compliance with the fundamental principles created by using the work of the external expert's work and how they have been addressed.

Documentation

390.21 A1 The professional accountant is encouraged to document:

- The results of any discussions with the external expert.
- The steps taken by the accountant to evaluate the external expert's competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the accountant in using the external expert's work and the actions taken to address the threats.

~~The results of any discussions with the expert.~~

390.20 A1 and 390.21 A1 - The TF discussed various comments from IESBA participants which ranged from, on the one hand, that the term "encouraged" is too weak from an enforcement perspective, and on the other hand, that the provisions on communication with TCWG and documentation are not needed as (i) they are already covered in the provisions for audit and other assurance engagements, and (ii) it would be challenging from a NAS perspective.

The TF's view is to retain the two paragraphs as they are generally consistent with how the Code addresses matters of communication with TCWG and documentation in the context of professional services. The provisions are also encouragements and not requirements.