

Use of Experts Project – Part 3: Proposed New Section (Mark Up from [September](#))

The scope of the proposed section has been refined to focus on “external experts” only, following the September IESBA feedback with respect to (a) clarifying whether this proposed section applies to engagement team and audit/assurance team members; and (b) questions over the rationale for applying this proposed section to internal experts of a firm used for NAS engagements since they would already be subject to (i) the firm’s internal policies and procedures, i.e., for hiring and resource allocation, and (ii) the Code as the firm itself is subject to the Code.

PROPOSED NEW SECTION 390

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 Expert Might Be UsedGeneral

- 390.~~45~~ A1 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 A2 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~~ 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 ~~that is~~ 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 ~~and liabilities assumed~~ 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, and site clean-up liabilities, and those associated with insurance contracts or employee benefit plans costs.
 - ~~The actuarial calculation of liabilities 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 ~~circular economy, including durability, reusability, repairability, disassembly, remanufacturing, and recycling.~~
- 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.

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.
- 390.4 A2 added to explain that the use of an expert is an action that might be a safeguard to address the self-interest threat created, in accordance with the Code. See also comment re deleted R390.5.
- 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.

390.47 A42 This section does not apply to:

- (a) ~~If in the course of performing a professional service, the professional accountant uses~~ The use of the work of an expert employed or engaged a management's expert, by the client to assist the client in preparing the financial or non-financial information. s Such work is deemed to be information provided by management; and
- (b) ~~390.4 A2~~ The use of information provided by individuals or organizations that are external information sources for general use. are not experts.. provide datasets for general purpose Such individuals or organizations are not experts. Such individuals or organizations 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 that is suitable for use by a broad range of users, or carbon emissions by vehicle type, mortality tables, or other datasets for general use.

Lead-in added to explicitly emphasize what this section does not apply to.

Bullet (a) further clarified by setting out that the section does not apply to the use of the work of an expert employed or engaged by the client and removing the term "management's expert". This is responsive to the removal of the Sept proposed definition of 'management's expert' in the glossary following IESBA

feedback that it is not necessary to define such a term since such experts are not within the scope of the section. However, the TF considers 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 a management's expert and what a management's expert means.

Bullet (b) now encompasses Sept draft 390.4 A2 with minor edits to reflect suggestions from IESBA participants. In addition, it emphasizes the “for general use” concept upfront, and clarifies wording around such individuals or organizations not being experts. Also, a reference to the information sources (as contained in the proposed S5390 September posted draft) has been added as they are also applicable to PAPPs. ~~R390.5~~ ~~———— If a professional accountant determines that expertise outside the accountant’s knowledge and skills is needed to assist the accountant in performing a professional service, the accountant shall identify an expert for this purpose.~~

Sept draft R390.5 removed and replaced with 390.4 A2 following September IESBA feedback that there are other actions (as outlined in the upfront sections of the Code) that a PA might take in order to address circumstances where the PA has insufficient expertise.

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

All Professional Services

R390.56 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 IAASB standards discuss the PA’s responsibilities in terms of agreeing the terms of engagement.
- 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 competence, capabilities and objectivity (CCO).

390.56 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 expert's objectivity, including information needed from the expert to facilitate the accountant's evaluation of that objectivity.~~
- 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 when performing the work.

R390.5(b) has been added to support the requirements of this section.

390.5 A1 last bullet added in response to feedback from the IAASB's ISSA 5000 roundtable. **Evaluating Whether to Use the Work of the External Expert's Competence, Capabilities, and Objectivity**

All Professional Services

R390.67 ~~In determining whether it is appropriate to use the work of the expert, t~~The professional accountant shall evaluate whether the external expert has the necessary's competence, capabilities and objectivity 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.

~~390.7 A1 — An expert whose work is used to assist a professional accountant in performing a professional service might be:~~

- ~~(a) — An external expert; or~~
- ~~(b) — An expert employed by the accountant's firm.~~

~~390.7 A3 — In the context of an audit or other assurance engagement, depending on their role, an expert is:~~

- ~~(a) — An engagement team member if the expert performs audit or other assurance procedures for the engagement;~~
- ~~(b) — An audit or assurance team member if the expert provides consultation on the audit or other assurance engagement which can directly influence the outcome of the engagement;~~
- ~~(c) — An external expert if the expert is engaged by the professional accountant's firm and the expert's work is used to assist the accountant in obtaining sufficient appropriate evidence; or~~
- ~~(d) — A management's expert if the expert is employed or engaged by the audit or assurance client and the expert's work is used to assist the entity in preparing the financial or non-financial information.~~

The above two paragraphs (Sept draft 390.7 A1 and 390.7 A3) have been removed as they are no longer necessary since the scope of the proposed section is limited to external experts only. However, the TF will include detailed explanations with respect to the differences between an engagement team/ audit or assurance team member and an external expert, as relevant and appropriate, in the explanatory memorandum (EM) to the Exposure Draft.

The rationale for why the proposed section focuses on external experts will also be included in the EM, together with the explanation of the IESBA's journey in considering "independence" for external experts in an audit/assurance context and provisions for all experts including internal experts, as set out in the project plan.

Sept draft 390.7 A2 has been incorporated into 390.4 A2 as explained in that paragraph. ~~390.67 A14~~

A self-interest, self-review or advocacy threat to compliance with the fundamental principles of integrity, objectivity and professional competence and due care might be created if a professional accountant uses an external expert who does not have the competence, capabilities or objectivity to deliver the work needed for the particular professional service.

~~390.67 A25~~ 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.
- ~~Where the expert is employed by the accountant's firm, whether their expertise has been validated by an accreditation or similar process established by the firm.~~

Last bullet no longer necessary as the scope of the proposed section is focused on external experts only.

390.67 A36 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.

390.67 A47 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 there is any known potential bias that might affect the~~ external expert's exercise of the work ~~expert's professional judgment.~~
- 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.
- ~~Where the expert is employed by the professional accountant's firm, whether the expert is subject to the firm's system of quality management addressing threats to compliance with the principle of objectivity.~~

Last bullet no longer necessary as the scope of the proposed section is focused on external experts only.

390.76 A58 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 A~~advised~~eding the entity on the matter for which the external expert is performing the work.
- Having P~~produced~~eding 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.

390.67 A69 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.
- ~~Consulting~~ Inquiry of with 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.
- ~~Making inquiries~~Inquiry of the external expert's professional body or industry association.
- Articles, Published papers or books written by the external expert and published by a recognized publisher or in a recognized journal or other medium.
- ~~External recognition or accolades.~~
- Published records, such as legal proceedings involving the external expert.
- Inquiry ~~with 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.

Concluding on Using the Work of the Expert

All Professional Services

~~**R390.14**— The professional accountant shall conclude, based on the evaluation of the expert's competence and capabilities, and any identified threats to the expert's objectivity, whether the expert is competent, has the capabilities, and is objective.~~

~~390.15 A1— Where an expert is employed by the professional accountant's firm, that individual is bound by the same ethical and, if applicable, independence requirements that apply to the accountant. Accordingly, compliance with those requirements will satisfy the objectivity requirement for the expert under paragraphs R390.7 and R390.14.~~

Sept draft R390.14 has been removed and Sept draft R390.15 has been relocated to R390.12 with the title revised following the September IESBA feedback that the location and title of "concluding on using the work of an expert" was confusing. The revised location of R390.12 indicates that the paragraph serves as the PA's overall determination of whether the expert meets CCO. It comes after the additional factors for the evaluation of objectivity specific to an audit or other assurance engagement as set out in paragraphs R390.8 to R390.11. The revised title (i.e., the removal of "concluding on using the work of an expert") indicates that it applies to "all professional services".

Sept draft 390.15 A1 has been removed as it is no longer necessary since the scope of the proposed section is limited to external experts only. However, the TF will include detailed explanations with respect to the differences between an engagement team/ audit or assurance team member and an external expert, as relevant and appropriate, in the EM.

Further Actions in Evaluating the Objectivity of an External Expert in an Audit or Other Assurance Engagements

~~390.67 A71~~ Stakeholders have heightened expectations regarding the objectivity of an external expert whose work is used in an audit or other assurance engagement. Therefore, Paragraphs R390.408 to R390.113 set out required further actions in evaluating the objectivity of an external expert in an audit or other assurance engagement pursuant to paragraph R390.6.

The lead-in to this paragraph was added in response to an IESBA participant's Oct comment to explain why there are additional requirements for audit or other assurance engagements.

The second sentence (previously part of Sept draft 390.7 A7) has been moved to a new paragraph 390.7 A1 to highlight how the subsequent paragraphs tie in with the CCO evaluation required under paragraph R390.6. It is intended to 'set the scene' for the additional actions with respect to an audit or other assurance engagement.

R390.108 ~~In evaluating the objectivity of an external expert in an audit or other assurance engagement pursuant to paragraph R390.7, t~~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:

The TF has considered the September IESBA comments regarding the time period for which the expert is required to disclose information. The comments were mainly around (i) whether the period should be in relation to the financial statement period, and (ii) whether the period is now longer than the period during which independence is required by Parts 4A/4B.

- (a) However, there was no change to the time period since (i) this proposed section would also cover engagements other than audits of financial statements, and (ii) there could indeed be circumstances where the period covered by an assurance report would be longer than that covered by the audit report, in particular, for sustainability engagements. Any direct financial interest or material indirect financial interest held by the external expert, ~~or~~ 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, ~~or~~ their immediate family, ~~or the external expert's organization, other than where~~unless the loan or guarantee is immaterial to ~~both~~ 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, ~~or~~ their immediate family, ~~or the external expert's organization~~ from the entity if it is a bank or similar institution, ~~other than where~~unless 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, ~~or~~ their immediate family, ~~or the external expert's organization~~ from the entity if it is not a bank or similar institution, ~~other than where~~unless the loan or guarantee is immaterial to ~~both~~ 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, ~~or~~ their immediate family, ~~or the external expert's organization~~ and the entity or its management, ~~other than where~~unless any 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~~ long association between the external expert ~~or their organization~~ and the entity;

- (g)** How long the external expert has been associated with the entity;
- (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; or
 - (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.
- ~~**(h)(i)**~~ Any previous public statements by the external expert or their organization which advocated for the entity;
- ~~**(i)**~~ 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; or
 - ~~**(ii)**~~ Previously held by the external expert before the period covered by the audit or assurance report;
- (j)** Any ~~material~~ 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)** ~~If the external expert is an organization, t~~he nature and extent of any interests and relationships between the controlling owners of the external expert's organization and the entity.

Bullet (f) added to consider other services performed by the expert for the entity. The PA would then have to evaluate if any of those other services might create threats to the expert's objectivity. This is aligned with ISA 620 and also in response to September IESBA comments.

Bullet (g) added in layman's terms to reflect consideration of "long association" between the expert and the entity. The TF sought to avoid the term "long association" as it contains many other technical considerations as outlined in the Code.

Bullet (h)(iii) added in response to September IESBA comments suggesting that this would be a high-risk circumstance which would impact the expert's objectivity. In most cases, the interests, relationships or circumstances of the expert's management are not considered (as compared to Parts 4A/4B, such as for financial interests, etc.), as there is no direct impact on the expert performing the work. However, the TF considered that bullet (h)(iii) (addressing a position as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the information) is a necessary consideration of the expert's organization's management as it reflects the highest risk since it is a direct self-interest and self-review threat to the expert.

Bullet (k) added in response to September IESBA comments that consideration of non-financial benefits, including donations, should be considered.

Overall, apart from bullets (i) and (l), the bullets broadly align with those independence attributes set out in Parts 4A/4B of the Code. Bullets (i) and (l) are included because it is necessary for the PA to request such information from the expert in order for the PA to be able to evaluate the expert's objectivity.

R390.910 A1 Where the external expert uses a team to carry out the ~~expert's~~ work, the professional accountant shall request the external expert to have all members of the external expert's team 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 R390.810 ~~applies equally to all members of the team.~~

No change of substance – editorial refinements to enhance implementability.

R390.1011 A ~~The~~ professional accountant shall request the external expert to communicate any changes in facts or circumstances regarding the matters set out in paragraph R390.810 that might arise during the period covered by the audit or assurance report or the engagement period.

R390.1112 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 each of the external expert and the client to notify the accountant about any other 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.:-

~~The expert and the client; and~~

~~The expert and the entity at which the expert is performing the work, if different from the client.~~

R390.11 was revised to focus 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.

As such, paragraph 390.11 A2 was added to clarify that unless there is such a circumstance, inquiring with the client is also a possible source of information about the matters contained in R390.11 and 390.11 A1. The TF considered an IESBA participant's 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 to 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.

390.113 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, ~~in relation to the client or, if different, the entity at which the expert is performing the work:~~

- Any direct financial interest or material indirect financial interest in the client held by the external expert, or their immediate family, or the external expert's organization.
- ~~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.~~

The above bullet on “close family members or other close relationships of the expert” deleted as such relationships are also included in the subsequent bullet below.

- 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 the client does not undermine the intended purpose of the professional accountant in using the work of the external expert.

~~**R390.13**—When the professional accountant is notified of an interest, relationship or circumstance pursuant to paragraph R390.12, the accountant shall include it when identifying and evaluating threats to the external expert’s objectivity.~~

Sept draft R390.13 deleted due to the introduction of 390.7 A1 upfront above.

All Professional Services

~~**R390.1512** If ~~the~~ professional accountant ~~concludes that the expert is not competent, capable or objective,~~ the 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 and objectivity; or~~
- ~~(b) The accountant determines that the external expert is not competent, capable or objective.~~

As explained above, Sept draft R390.15 has been relocated to R390.12 following the September IESBA feedback.

This revised location indicates that the paragraph serves as the PA’s overall determination of whether the expert meets CCO. It comes after the additional factors for the evaluation of objectivity specific to an audit or other assurance engagement are set out in paragraphs R390.8 to R390.11.

The revised title (i.e., the removal of “concluding on using the work of an expert”) indicates that it applies to “all professional services”.

Note to the IESBA – The TF view is that there is no safeguard against threats if an external expert does not clear the CCO evaluation. If the PA continues, or proceeds, to use an expert who is does not meet either C, C or O, the PA would not be in compliance with the Code. See also 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.

~~R390.16~~ ~~Where a professional accountant is using the work of an 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

390.147 A1 Examples of facts and circumstances that might create threats ~~for 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~~understanding of the expert's work 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

390.158 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 ~~materiality impact of the subject matter~~ of the external expert's work on the professional accountant's engagement to the information being reported.
- The nature of the professional service engagement in which the external expert's work is intended to be used.

- ~~The degree of reliance by the professional accountant on the work of the expert.~~
- The professional accountant's oversight relating to the use of the external expert and the external expert's work.
- ~~Whether there are multiple experts involved.~~
- ~~The complexity and subjectivity of the expert work.~~
- ~~The source and reliability of the underlying data and other inputs used by the expert.~~
- The external expert's ability to explain the inputs, assumptions, methodologies and conclusions of the external expert's work.
- The ~~reasonableness appropriateness~~ of, and transparency over, the data, assumptions and other inputs and methods used by the external expert ~~and whether the expert has mitigated any bias.~~
- The ~~reasonableness of the expert's findings or conclusions and 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 external expert's work, such that the 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 ~~academic research or 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.

List of factors refined following September IESBA comments and further TF review:

- 2nd bullet (materiality) – used the term “impact” instead of “materiality” given that materiality could have several connotations, especially in the context of sustainability. In terms of impact, the TF considers that the impact of using an expert might be especially relevant in NAS engagements, for example, where the purpose is to provide advice on the sale or purchase of an asset, and an expert is used for that purpose.
- 4th bullet (degree of reliance) – deleted as it duplicates 2nd bullet.
- 6th bullet (multiple experts) – deleted as addressed in “Other Matters” below.
- 7th bullet (complexity) – deleted as already included in upfront sections of the Code in applying the conceptual framework, i.e., consideration of complexity is part of exercising professional judgment.
- 8th bullet (source and reliability of data) – deleted as it duplicates 10th bullet.

- 10th bullet (consideration of bias) – deleted from latter part of sentence, as it is already included in upfront sections of the Code in applying the conceptual framework, i.e., consideration of bias.
- 11th bullet (reasonableness of the expert’s conclusions) – deleted as it is performance related.

Addressing Threats

390.2016 A1 An example of an action that might eliminate ~~a familiarity such~~ threats is identifying a different external expert to use.

390.2016 A2 Examples of actions that might be safeguards to address ~~such~~ threats include:

- Consulting with qualified personnel who have the necessary ~~knowledge, skills~~ 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. Obtaining a second opinion on the expert’s work.~~
- Agreeing with the client additional time or resources to complete the engagement.

Deleted bullet on second opinion as it duplicates first bullet. Added 2nd and 3rd bullets as additional potential safeguards.

Note to the IESBA – These safeguards are not in relation to the evaluation of an expert’s CCO. The safeguards set out in 390.16 A2 are in relation to threats that arise for the PA when using an expert, for example, as set out in 390.14 A1.

Other Matters

External Experts in Emerging Fields or Areas

390.178 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.

390.178 A2 Information relating to ~~Some~~ of the factors relevant to evaluating the competence of an external expert in paragraph 390.67 A25 might not be ~~available~~ applicable if expertise in an emerging field or area ~~is nascent~~. 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

R390.189 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.

~~390.19 A1 Factors that are relevant in evaluating the level of threats created by using the work of multiple experts include:~~

- ~~• How the combined effect of using multiple experts impacts the complexity of exercising professional judgment.~~
- ~~• Whether the combined work of the experts forms a material part of the information assessed or used for purposes of the engagement.~~

Upon reflection, the TF noted that R390.18's consideration of the "combined effect" of using multiple experts covers the factors set out in Sept draft 390.19 A1 already. Sept draft 390.19 A1 has thus been deleted.

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~~4~~ 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~~2~~ 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.