

Use of Experts

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Objective

To consider and provide input on the key matters outlined in this presentation



Recap of Use of Experts Project

To consider ethics
(including independence)
for professional
accountants when they
use the work of experts

- Addresses questions over the expectations of ethical behavior when using the work of experts
 - Raised in previous IESBA projects, such as technology, tax planning, engagement team and group audits
 - In particular, for external experts used in an audit or other assurance engagement
- Project is progressing in tandem with the sustainability project
 - Use of experts anticipated to increase as demand for sustainability information and assurance accelerates
 - But not limited to experts used in sustainability reporting and assurance



Recap of Key March CAG Comments

General Support

- Principles-based ethical framework for the use of all experts
- Protect objectivity of external experts used in audit and other assurance engagements with selected independence requirements, if their work significantly influences the engagement

Other Considerations Raised for Audit and Assurance Engagements

- “Significant influence test” introduces a level of subjectivity, need to develop additional guidance to facilitate a consistent approach
- Challenging to assess the competence of an expert
- Treatment and delineation of management’s experts and experts employed by a firm versus external experts
- Accountability of the engagement partner (e.g., “general contractors” of external experts)
- Development of profession-neutral equivalent Part 5 provisions for sustainability assurance
- Importance of IAASB coordination

Global Roundtables

**March–April 2023:
Paris, Sydney,
Singapore, New York**

**140+ participants
from wide range of
stakeholder groups**

Report Back on Key Takeaways

- Support for a principles-based approach to assessing whether the use of the work of experts is appropriate
- Evaluating the competence of experts in an emerging field is particularly challenging

For External Experts in an Audit or Other Assurance

- Mixed views about whether or not such experts should be independent
- Concerns over the implementability, enforceability and subjectivity of significant influence test
- Suggestions that the approach should focus on the assurance provider's evaluation of the external expert's objectivity before concluding whether to use the expert's work
- Agreement that independence characteristics such as financial interests, close and family relationships, business relationships, and previous employment should be evaluated by the assurance provider to determine an expert's objectivity



Proposed Scope and Approach



Proposed New Ethics Standards

Proposed new
Sections in
Parts 2, 3 and 5

- Self-interest threat if PA/SAP has insufficient expertise for a professional activity/service
- Principles-based provisions applicable to **all** experts (substantial influence test removed, broader approach adopted which applies to all experts)
 - Except a management's expert used in a professional service (akin to any other information received from management)
- Regarding external experts used in an audit or other assurance engagement (including sustainability assurance)
 - Reflects feedback from global roundtables that imposing independence is not practicable or enforceable
 - Focusses on the underlying responsibility of the PA to evaluate the objectivity, including independence attributes, of an external expert before the expert's work can be used
 - Additional requirements that recognize the public interest importance of using the work of an objective external expert

Proposed Ethical Framework and Approach

Definitions Introduced for “Expert” and “Expertise”

- Distinguish the work of experts from the work of other individuals or organizations providing information for general use

Evaluating Whether to Use the Work of An Expert

- Focused on the expert’s competence, capability and objectivity (CCO)
- Work of an expert cannot be used if it does not meet CCO thresholds

External Experts in Audit or Assurance Engagements

- Additional objectivity requirements to evaluate interests and relationships based on Parts 4A/4B independence attributes

Potential Threats When Using the Work of an Expert

- Provisions to guide identifying, evaluating and addressing potential threats to compliance with the fundamental principles

Informed By:

Global
Roundtables

IESBA National
Standard-Setters

Forum of Firms

Ongoing Liaison
with IAASB

March IESBA CAG
and June IESBA

Public Interest Framework Characteristics

- **Comprehensiveness:** 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) services, non-assurance services, as well as for PAs in business
- **Scalability:** Scope of evaluation of independence characteristics for external experts in an audit and other assurance context
- **Clarity:** Clear distinction among internal, external and management's experts
- **Implementability:** Focus on the evaluation of objectivity by a PA/non-PA practitioner versus imposition of independence for 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:** Clear requirements for PAs/non-PA practitioners

Proposed approach
meets the PIF
characteristics

External Experts in Audit/Assurance

Recognizes feedback
from all stakeholders
to date

- Subjectivity and challenges involved with determining significant influence of the external expert's work, especially when multiple experts are used in emerging fields
- External experts do not generally have systems of quality management that monitor independence between employees and clients
- Code is not/ will not be enforceable on external experts who are not PAs or SAP performing Part 5 sustainability assurance
- However, heightened public interest expectations around such experts

External Experts in Audit/Assurance

- Principles-based to accommodate all facts and circumstances
- Approach ensures the accountability of the PA/SAP for:
 - Evaluating objectivity of the external expert
 - Determining whether the work of the external expert is sufficient, reliable and appropriate
- Additional objectivity evaluation required of all key independence attributes in Parts 4A/4B
 - Between expert and the entity at which the expert is performing the work
 - Incl. financial interests, close and family relationships, business relationships, and previous employment, etc.
- Requirement for the PA/SAP to request client and external expert to notify the PA/SAP of any other interest, relationship or circumstance that they are aware of:
 - Between the expert and (a) the client; and (b) the entity at which the expert is performing the work

Robust and
balanced approach
to address public
interest
expectations

Other Considerations

- Proposed provisions also consider
 - Using the work of multiple experts
 - Communication with those charged with governance
 - Documentation






Representatives' views on the overall proposed approach, including the objectivity approach taken for an external expert in an audit/assurance engagement?



Definitions



Expert

- 
- Introduce new proposed definition
 - Benchmarked against the PA's own competence
 - So it is applicable also to PAIBs and experts used in NAS

“An individual or organization possessing expertise that is outside the professional accountant's or sustainability assurance practitioner's competence. This excludes internal auditors employed or engaged by an employing organization or client.”

Expertise



- Proposed new definition
 - Aligned with Dictionary usage of expertise
 - Differential with ISA 620 (removed “**experience**”)
 - IAASB coordination on matter and no concern raised
- Element of experience is a factor that is important to demonstrate or assess whether an expert really has the expertise (knowledge and skills)

“Expertise – Knowledge and skills in a particular field.”


For Ref – Dictionary and Other Definitions

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


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

- 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.

Different Role of Experts in Audit/Assurance

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- Recognizes that experts can be engagement team (ET) or audit/assurance team (AT) members, and in those cases they are already subject to the Code's ethics and independence provisions
 - Proposed provisions to clarify the roles and differences
 - ET member if performs audit/assurance procedures
 - AT member if provides consultation on technical or industry-specific issues, transactions or events for the engagement
 - External expert if engaged by the PA/SAP and the expert's work is used to assist in obtaining sufficient appropriate evidence
 - Management's expert if employed or engaged by the client and the expert's work is used to assist the entity in preparing the financial or non-financial information
 - Differentiates between AT and external expert
 - Provision of consultation (advice) versus performing work (for the PA/SAP to use)

External Expert in Audit/Assurance

- 
- Revised Definition
 - Underlying concepts continue to align with the ISAs and ISAE/ISSA and the extant Code and proposed Part 5 definitions for ET/AT
 - External Expert in:
 - Audit engagements, possesses expertise in a field other than accounting, auditing, or assurance
 - Assurance engagements, including sustainability assurance engagements, possesses expertise in a field other than assurance
 - Expert's work in that field is used to assist the PA/SAP in obtaining sufficient appropriate evidence
 - Excludes a partner or a member of the professional staff, including temporary staff, of the firm or a network firm
 - Recognizes that ET members need to possess expertise in audit/assurance



Representatives' views on
the concepts underlying the
proposed new and revised
definitions?



Emerging Fields



Evaluation of Competence

- Expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop
 - Might therefore be limited availability of experts in emerging fields
- Some of the factors relevant to evaluating the competence of an expert in might not be applicable if expertise in an emerging field or area is nascent. For example:
 - Might not be public recognition of the expert
 - Professional standards might not have been developed
 - Professional bodies might not have been established in the emerging field
- Clarifies that a factor that is particularly relevant in such circumstances is the expert's **experience** in a similar field as the emerging field, or in an established field, that provides a reasonable basis for the expert's work in the emerging field

Recognizes
challenge of
evaluating
competence in
emerging fields

Limited Availability of Experts

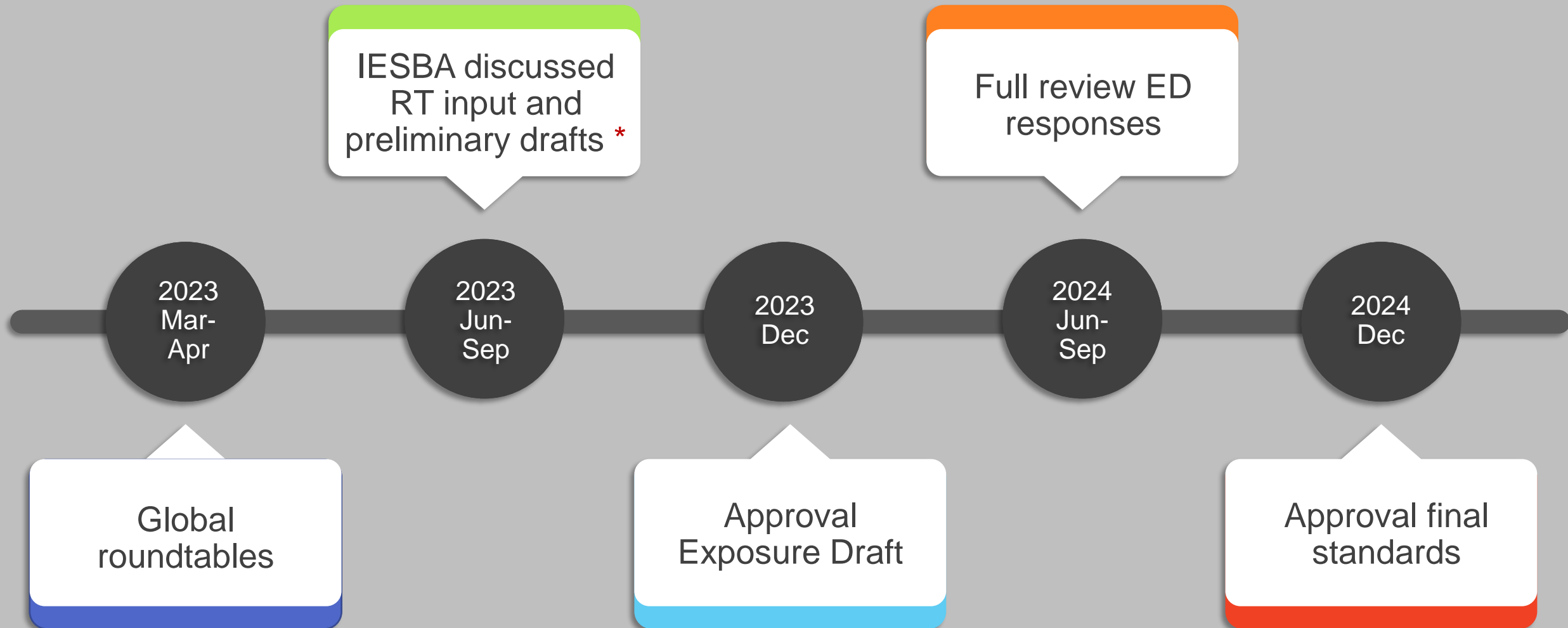
Objectivity is an ethical principle, cannot be a “lower” threshold to accommodate different circumstances

- Introducing transparency as a mitigating action for using an unobjective expert would inadvertently create an “easy exit” and shift the accountability for the PA to evaluate the objectivity of an external expert to the stakeholders
- Competence, capability and objectivity of an expert cannot be less relevant or lower in jurisdictions/fields with a low number of experts
- Where it is determined that there are no experts available in a particular field or jurisdiction:
 - The PA/SAP could consider using an expert from another jurisdiction
 - The PA/SAP could also consider consultation with the appropriate independent regulatory body or professional body to address the issue and ascertain what are appropriate next steps
 - TF to consider developing appropriate transitional provisions to accommodate the build-up of market capacity in due course if necessary



Representatives' views on the considerations for experts in emerging fields, including not lowering the bar for objectivity?

Timeline to Use of Expert Project



* Documents for [June](#) and [September](#) IESBA papers and discussion



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