

Agenda Item 3-F

Using the Work of an External Expert Proposed Consequential Amendments (Mark Up from Extant)

Following feedback on the exposure draft (ED) proposal for the definition of “expertise,” the Task Force has revised the definition. Further details are set out in Agenda Item 5-A. The revised definition of expertise is “skills, knowledge and experience in a particular field,” see Agenda Item 5-B.

Accordingly, the Task Force considered whether consequential amendments might be necessary to the extant Code when “expertise” is used in conjunction with skills, knowledge and/ or experience.

The Task Force has reviewed the extant Code for such instances and set out its rationale for whether it is proposing an amendment or not, which is contained in the comments on the margin of this paper.

The resulting proposed consequential amendments are to:

- Paragraph 120.5 A5
- Paragraph 230.3
- Paragraphs 280.4 A1 to A2, and 280.19 A2
- Paragraphs 380.4 A1 to A2, and 380.19 A2 to A3
- Paragraph 600.2
- Paragraph 950.2

PART 1 - COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

SECTION 120

THE CONCEPTUAL FRAMEWORK

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Requirements and Application Material

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120.5 A5 Professional judgment is required when the professional accountant applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the accountant might consider matters such as whether:

- The accountant's ~~expertise and experience are-is~~ sufficient to reach a conclusion.
- There is a need to consult with others with relevant ~~expertise or experience~~.
- The accountant's own preconception or bias might be affecting the accountant's exercise of professional judgment.

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Commented [JB1]: The reference to the term *experience* is deleted here because of the revised proposed definition of “expertise” being “skills, knowledge and **experience** in a particular field”.

PART 2 - PROFESSIONAL ACCOUNTANTS IN BUSINESS

SECTION 200

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN BUSINESS

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Requirements and Application Material

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Identifying Threats

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Identifying Threats Associated with the Use of Technology

200.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a professional accountant when undertaking a professional activity:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

(Ref: Para. 230.2).

- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgment of the accountant or employing organization.

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SECTION 230

ACTING WITH SUFFICIENT EXPERTISE

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Requirements and Application Material

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R230.3 A professional accountant shall not intentionally mislead an employing organization as to the level of expertise or experience possessed.

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.

Commented [JB2]: No change here because the use of the term knowledge here is broader (i.e. understanding of the client, of the business, etc.) than in a particular field.

Commented [JB3]: The reference to the term *experience* is deleted here because of the revised proposed definition of “expertise” being “skills, knowledge and **experience** in a particular field”.

- 230.3 A2 A self-interest threat to compliance with the principle of professional competence and due care might be created if a professional accountant has:
- Insufficient time for performing or completing the relevant duties.
 - Incomplete, restricted or otherwise inadequate information for performing the duties.
 - Insufficient experience, training and/or education.
 - Inadequate resources for the performance of the duties.
- 230.3 A3 Factors that are relevant in evaluating the level of such a threat include:
- The extent to which the professional accountant is working with others.
 - The relative seniority of the accountant in the business.
 - The level of supervision and review applied to the work.
- 230.3 A4 Examples of actions that might be safeguards to address such a self-interest threat include:
- Obtaining assistance or training from someone with the necessary expertise.
 - Ensuring that there is adequate time available for performing the relevant duties.

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SECTION 260

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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Requirements and Application Material

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Responsibilities of Senior Professional Accountants in Business

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Obtaining an Understanding of the Matter

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260.12 A1 A senior professional accountant is expected to apply **knowledge and expertise**, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes noncompliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

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Responsibilities of Professional Accountants Other than Senior Professional Accountants

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260.24 A1 The professional accountant is expected to apply **knowledge and expertise**, and exercise professional judgment. However, the accountant is not expected to have a level of

Commented [JB4]: No change here because the use of the term knowledge here is **broader** (i.e. understanding of the client, of the business, etc.) than in a *particular field*.

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understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

...
[Section 280, effective for tax planning activities beginning after June 30, 2025, will be added after paragraph 270.4 A1]

SECTION 280

TAX PLANNING ACTIVITIES

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Requirements and Application Material

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Professional Accountants' Public Interest Role in Relation to Tax Planning Activities

280.4 A1 Professional accountants play an important role in tax planning by contributing their **expertise and experience** to assist employing organizations in meeting their tax planning goals while complying with tax laws and regulations. In doing so, accountants help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest.

280.4 A2 Employing organizations are entitled to organize their affairs for tax planning purposes. While there are a variety of ways to achieve such purposes, employing organizations have a responsibility to pay taxes as determined by the relevant tax laws and regulations. In this regard, professional accountants' role is to use their **expertise and experience** to assist their employing organizations in achieving their tax planning goals and meeting their tax obligations. However, when accountants provide such assistance, it might involve certain tax minimization arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the fundamental principles.

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Potential Threats Arising from Performing a Tax Planning Activity

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280.19 A2 Factors that are relevant in evaluating the level of such threats include:

- The degree of transparency regarding the underlying business transaction or circumstances, including, where applicable, the identity of the ultimate beneficiaries.
- Whether the tax planning arrangement has a clear economic purpose and substance based on the underlying business transaction or circumstances.
- The nature and complexity of the underlying business transaction or circumstances.
- The complexity or clarity of the relevant tax laws and regulations.
- Whether the professional accountant knows, or has reason to believe, that the tax planning arrangement would be contrary to the intent of the relevant tax legislation.

Commented [JB6]: The reference to the term *experience* is deleted here because of the revised proposed definition of "expertise" being "skills, knowledge and **experience** in a particular field".

Commented [JB7]: The reference to the term *experience* is deleted here because of the revised proposed definition of "expertise" being "skills, knowledge and **experience** in a particular field".

- The number of jurisdictions involved and the nature of their tax regimes.
- The extent of the professional accountant's **expertise and experience** in the relevant tax areas.
- The significance of the potential tax savings.
- The nature and significance of any incentives offered to the professional accountant to develop the arrangement.
- The extent to which the professional accountant is aware that the tax planning arrangement reflects an established practice that has not been challenged by the relevant tax authorities.
- Whether there is pressure being exerted on the professional accountant.
- The degree of urgency in implementing the tax planning arrangement.
- Whether it is a tax planning arrangement used for multiple clients with little modification for the employing organization's specific circumstances.
- The organizational culture of the employing organization.

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PART 3 - PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

SECTION 300

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

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Requirements and Application Material

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Identifying Threats

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Identifying Threats Associated with the Use of Technology

300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a professional accountant when undertaking a professional activity:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

Commented [JB8]: No change here because the use of the term knowledge here is broader (i.e. understanding of the client, of the business, etc.) than in a *particular field*.

(Ref: Para. 230.2).

- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgment of the accountant or firm.

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SECTION 360

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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Requirements and Application Material

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Audits of Financial Statements

Obtaining an Understanding of the Matter

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360.10 A2 The professional accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of knowledge of laws and regulations greater than that which is required to undertake the engagement. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

Commented [JB9]: No change here because the use of the term knowledge here is broader (i.e. understanding of the client, of the business, etc.) than in a *particular field*.

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Professional Services Other than Audits of Financial Statements

Obtaining an Understanding of the Matter and Addressing It with Management and Those Charged with Governance

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360.29 A1 The professional accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations beyond that which is required for the professional service for which the accountant was engaged. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

Commented [JB10]: No change here because the use of the term knowledge here is broader (i.e. understanding of the client, of the business, etc.) than in a *particular field*.

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[Section 380, effective for tax planning activities beginning after June 30, 2025, will be added after paragraph 360.40 A1]

SECTION 380

TAX PLANNING SERVICES

Introduction

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Requirements and Application Material

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Professional Accountants' Public Interest Role in Relation to Tax Planning Services

380.4 A1 Professional accountants play an important role in tax planning by contributing their **expertise and experience** to assist clients in meeting their tax planning goals while complying with tax laws and regulations. In doing so, accountants help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest.

380.4 A2 Clients are entitled to organize their affairs for tax planning purposes. While there are a variety of ways to achieve such purposes, clients have a responsibility to pay taxes as determined by the relevant tax laws and regulations. In this regard, professional accountants' role is to use their **expertise and experience** to assist their clients in achieving their tax planning goals and meeting their tax obligations. However, when accountants provide such assistance, it might involve certain tax minimization arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the fundamental principles.

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Potential Threats Arising from Providing a Tax Planning Service

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380.19 A2 Factors that are relevant in evaluating the level of such threats include:

- The degree of transparency of the client, including, where applicable, the identity of the ultimate beneficiaries.
- Whether the tax planning arrangement has a clear economic purpose and substance based on the underlying business transaction or circumstances.
- The nature and complexity of the underlying business transaction or circumstances.
- The complexity or clarity of the relevant tax laws and regulations.
- Whether the professional accountant knows, or has reason to believe, that the tax planning arrangement would be contrary to the intent of the relevant tax legislation.
- The number of jurisdictions involved and the nature of their tax regimes.
- The extent of the professional accountant's **expertise and experience** in the relevant tax areas.
- The significance of the potential tax savings.
- The nature and amount of the fee for the tax planning service.
- The extent to which the professional accountant is aware that the tax planning arrangement reflects an established practice that has not been challenged by the relevant tax authorities.

Commented [JB11]: The reference to the term *experience* is deleted here because of the revised proposed definition of "expertise" being "skills, knowledge and **experience** in a particular field".

Commented [JB12]: The reference to the term *experience* is deleted here because of the revised proposed definition of "expertise" being "skills, knowledge and **experience** in a particular field".

- Whether there is pressure being exerted by the client or another party on the professional accountant.
- The degree of urgency in implementing the tax planning arrangement.
- Whether it is a tax planning arrangement used for multiple clients with little modification for the client's specific circumstances.
- The known previous behavior or reputation of the client, including its organizational culture.

380.19 A3 Examples of actions that might eliminate such threats include:

- Referring the client to an expert outside the professional accountant's firm who has the necessary **expertise and experience** to advise the client on the tax planning arrangement.
- Advising the client to structure the tax planning arrangement so that it is consistent with an existing interpretation or ruling issued by the relevant tax authorities.
- Obtaining an advance ruling from the relevant tax or other authorities, where possible.
- Advising the client not to pursue the tax planning arrangement.

Commented [JB13]: The reference to the term *experience* is deleted here because of the revised proposed definition of "expertise" being "skills, knowledge and **experience** in a particular field".

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Requirements and Application Material

Prohibition on Assuming Management Responsibilities

R400.21 When performing a professional activity for an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (a) Designates an individual who possesses suitable **skill, knowledge and experience** to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:

- (i) The objectives, nature and results of the activities; and
- (ii) The respective client and firm or network firm responsibilities.

However, the individual is not required to possess the **expertise** to perform or re-perform the activities.

Commented [JB14]: As bullet (a) refers to *skill, knowledge and experience* in a broader sense as to enable the audit client's management to understand, evaluate and provide oversight of the PA's activities for the audit client. However, the client's management does not need to have the *expertise in a particular field* (the definition of expertise) to perform or re-perform such activity. Thus, no change is needed here.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

SECTION 600

PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

Introduction

600.2 Firms and network firms might provide a range of non-assurance services to their audit clients, consistent with their **skills and expertise**. Providing non-assurance services to audit clients might create threats to compliance with the fundamental principles and threats to independence.

Commented [JB15]: With the proposed changes to the definition of expertise as “skills, knowledge and experience in a particular field” it would create a duplication with the term “skills”. This is because performing a NAS requires specific skills in a particular field depending of the type of NAS.

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

Requirements and Application Material

Prohibition on Assuming Management Responsibilities

R900.14 When performing a professional activity for an assurance client that is related to the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement, the firm shall be satisfied that client management makes all related judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (a) Designates an individual who possesses suitable **skill, knowledge and experience** to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:
 - (i) The objectives, nature and results of the activities; and
 - (ii) The respective client and firm responsibilities.

Commented [JB16]: As bullet (a) refers to *skill, knowledge and experience* in a broader sense as to enable the audit client's management to understand, evaluate and provide oversight of the PA's activities for the audit client. However, the client's management does not need to have the *expertise in a particular field* (the definition of expertise) to perform or re-perform such activity. Thus, no change is needed here.

However, the individual is not required to possess the **expertise** to perform or re-perform the activities.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activity performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

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SECTION 950

PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

Introduction

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950.2 Firms might provide a range of non-assurance services to their assurance clients, consistent with their **skills and expertise**. Providing certain non-assurance services to assurance clients might create threats to compliance with the fundamental principles and threats to independence.

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Commented [JB17]: With the proposed changes to the definition of expertise as “skills, knowledge and experience in a particular field” it would create a duplication with the term “skills”. This is because performing a NAS requires specific skills in a particular field depending of the type of NAS.