

Using the Work of an External Expert

Summary of Significant Exposure Draft Comments and Task Force Responses

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I. Introduction

1. In January 2024, the IESBA released the Exposure Draft, [Using the Work of an External Expert](#) (ED) with a comment deadline of April 30, 2024.
2. As stated in the Explanatory Memorandum (EM) to the ED, using the work of an external expert might create threats to a professional accountant's (PA) or sustainability assurance practitioner's (SAP) compliance with the fundamental principles of integrity, objectivity and professional competence and due care. This is because there might be potential over-reliance on the external expert's work by the PA or SAP, and hence threats to the PA's or SAP's compliance with the fundamental principles might be created if the external expert's competence, capabilities and objectivity (CCO) are not appropriately evaluated.
3. To address the relevant ethical considerations, the ED proposals therefore introduced:
 - New definitions of "expert" and "expertise," and a revised definition of "external expert."
 - New requirements to guide a PA's evaluation of whether an external expert has the necessary CCO, including a prohibition on using the work of an external expert if it is determined that such expert does not have the necessary CCO.
 - Additional requirements focused on evaluating an external expert's objectivity in an audit or other assurance engagement.
 - Specific guidance regarding identifying, evaluating, and addressing the potential threats to compliance with the fundamental principles when a PA is using the work of an external expert.

4. The proposals were set out in three new and different sections of the Code (290, 390 and 5390), given that there are differences in considerations related to using the work of an external expert for PAs in business (PAIBs), PAs in public practice (PAPPs), and SAPs, respectively.
5. This paper summarizes the significant comments from respondents to the ED and the Task Force's responses and proposals. Unless otherwise specified, the significant comments summarized and Task Force responses relate to all three sections for PAPPs, PAIBs and SAPs.

II. Overview of Significant ED Comments and Task Force Responses

6. Sixty four comment letters in response to the ED were received.¹ On balance, respondents across stakeholder groups and regions expressed support for the ED proposals. Respondents also provided various suggestions for refinement or clarification or additional examples to enhance the provisions. The Task Force has considered these various suggestions and, where appropriate, has reflected them in the revised texts in **Agenda Items 3-C, 3-D, and 3-E**. The Task Force also noted a number of suggestions from respondents for non-authoritative material to be developed and recommends that the Board consider these suggestions as part of the rollout of the final standards.
7. Four significant areas raised by respondents were identified by the Task Force and are discussed in this paper:

A. [Definitions](#)

B. [CCO approach](#)

C. [Prohibition on using the work of an external expert if deemed not CCO](#)

D. [Additional objectivity requirements for an audit or other assurance engagement](#)

A. Definitions²

8. The ED proposed new definitions of “expert” and “expertise” to distinguish such individuals from others providing data or other information for a PA’s use. It also proposed a revised definition of “external expert” to reflect the PAIB and SAP perspectives.
9. While the Task Force noted general support for the proposed definitions, some respondents did not³ support them. Many respondents provided additional comments to supplement their support. The significant comments, including the reasons for those who did not support the proposals, were largely around:
 - The importance of the element of experience to be included in the definition of “expertise” and the inconsistency created with the IAASB’s definition of “expertise.”
 - Whether the definition of “expert” extends to the use of subcontractors in a non-assurance service (NAS).
 - Whether the use of the term “competence” in the definition of “expert” equates to expertise.

¹ **Agenda Item 3, Appendix** lists the ED respondents by stakeholder group and region.

² Question 1 of the ED, *Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions?*

³ **Firms:** Mazars, PwC; **PAOs/NSS:** CNCC-CNOEC, PICPA

- A perceived need for clarification in relation to the flowchart contained in Appendix 1 of the EM, which helped to guide the identification of the different types of experts used in an audit engagement.
10. Additionally, one respondent⁴ who did not support the proposed definitions explained that by introducing a new section in the Code addressing the use of the work of an external expert, practitioners would be forced to determine which experts are members of the engagement team, which are members of the audit team, and which are external experts. The respondent's view is that it would be very difficult for practitioners and staff in the field to understand the intricacies of the classification of experts and apply the relevant independence and/or objectivity provisions. The respondent believes that the IESBA should have simplified its approach to this classification.

Task Force Responses

Importance of including experience in the definition of “expertise” and inconsistency with the IAASB’s definition

11. The ED proposed a definition of “expertise” as “knowledge and skills in a particular field.” This differed from the ISA 620⁵ definition of expertise as “skills, knowledge and experience in a particular field.”
12. The ED explained that the proposal intentionally differed from the definition of “expertise” in ISA 620, which includes the element of experience. This difference arose from a review of reputable dictionaries which generally describe an expert as an individual with *knowledge and skill* relating to a particular subject (i.e., excluding experience), and a review of how the terms “expertise” and “experience” are generally used in the extant Code (i.e., used in conjunction with one another as if the term expertise does not include the element of experience).
13. However, many respondents⁶ expressed a strong view that the element of “experience” should be included in the IESBA’s definition of expertise to ensure consistency with the IAASB’s definition. It was emphasized that consistent definitions are key to facilitate the interoperability and application of the respective requirements of ISA 620 and proposed ISSA 5000⁷ with the IESBA provisions. It was also noted that “experience” is a valuable and essential quality to complement “knowledge and skills,” and therefore should be explicitly incorporated into the definition of “expertise.”
14. Although the Task Force continues to be of the view that conceptually, experience is inherently encompassed within the term “skill” and *demonstrates* the depth of knowledge and skills one has, the Task Force accepted not to introduce a difference from the IAASB’s definition. Including “experience” in the definition also mitigates any risk of an individual with limited experience (i.e., having just a training certificate or educational qualification) being regarded as an expert.
15. Accordingly, the Task Force has revised the definition of expertise to include the element of experience. **Agenda Item 3-F** sets out the Task Force’s considerations regarding where consequential amendments to the extant Code are necessary to reflect the revised definition.

⁴ **PAOs:** CNCC-CNOEC

⁵ ISA 620, *Using the Work of an Auditor’s Expert*

⁶ **Academia:** AFAANZ; **Firms:** BDO, DTTL, EY, GT, Mazars, PwC; **INSS:** APESB; NZAuASB; **PAOs/NSS:** ACCA, AE, AICPA, CFAR, CAANZ, CAI, CPAA, FACPCE, ICAEW, ICAS, IDW, IPA, IFAC, PICPA, SOCPA, SAICA, WPK; **Regulators:** IRBA, IOSCO

⁷ Proposed ISSA 5000, *Proposed International Standard on Sustainability Assurance 5000*

Whether the definition of “expert” extends to the use of subcontractors in a NAS

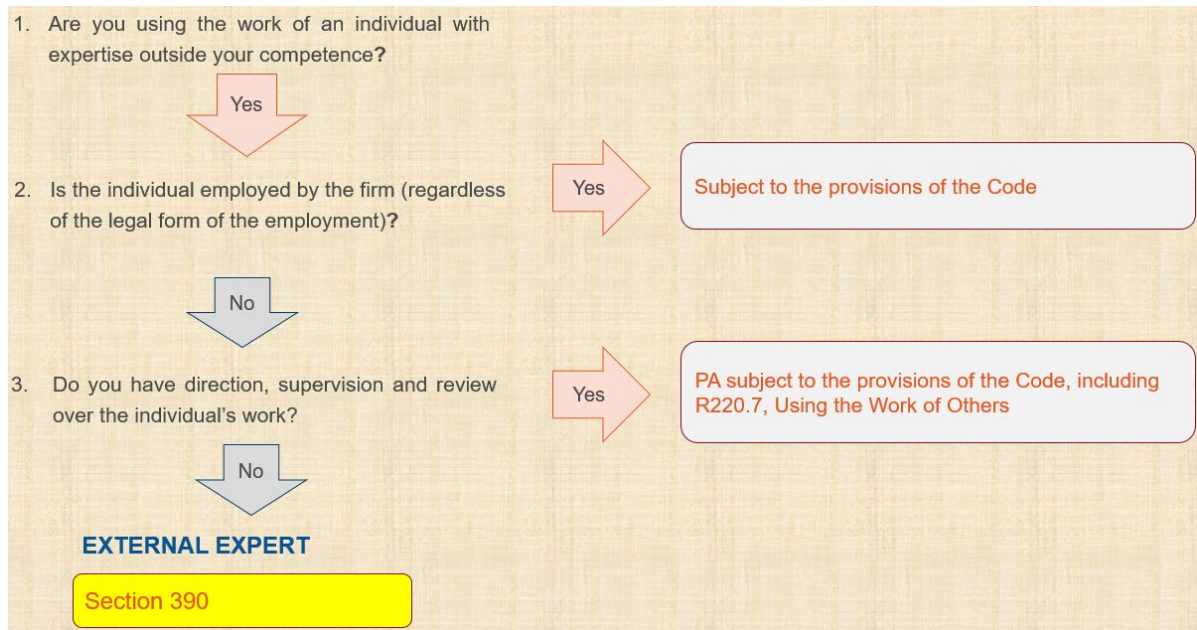
16. The ED proposed definitions of:
- “Expert” as “an individual possessing expertise that is outside the PA’s or SAP’s competence;” and
 - “External Expert” as “an expert engaged by a PA’s employing organization or firm, or by a SAP.”
17. Some respondents⁸ suggested clarification regarding the application of the definitions of “expert” and “external expert” with respect to the use of subcontractors in a NAS. The concern was that such subcontractors might fall within the definition of an “external expert” and be subject to the Code’s provisions for using the work of an external expert. For example, a respondent⁹ explained that subcontracting arrangements might occur to supplement the PA’s or SAP’s staffing needs, or due to a client’s request for specific expertise on the project through a single contract with a firm overseeing all workstreams, including those delivered by the experts.
18. In light of the respondents’ comments, the Task Force’s view is that a subcontractor can be engaged due to:
- (a) Internal resourcing constraints (i.e., the expertise exists within the firm, but the resources are unavailable to perform the work within the necessary timeline); or
 - (b) A need for specific expertise (i.e., the expertise does not sit within the firm, and therefore external resources are hired to perform the work).
19. Under either circumstance outlined in (a) or (b) above, the Task Force’s view is that if the individual is under the direction, supervision and review (DSR) of the PA, then such individual is in substance an extension of the firm’s team for the NAS and is a subcontractor. Therefore, such an individual would not be subject to the Code’s provisions addressing the use of the work of an external expert.
20. The Task Force considers that DSR over a subcontractor would include,¹⁰ for example, informing the subcontractor about their responsibilities, tracking the progress of their work, and reviewing their work with considerations such as whether there is a need to revise the nature, timing and extent of the work performed and whether the work performed supports the conclusions reached and is appropriately documented.
21. Accordingly, the Task Force has clarified in paragraph 390.4 A4 that the provisions addressing using the work of an external expert *“do not apply to the use of the work of individuals or organizations that are engaged by the PA and are under the PA’s direction, supervision and review, for example, subcontractors.”*

⁸ **Firms:** DTTL, Mazars, PwC; **PAOs/NSS:** AE, ICAEW

⁹ **Firms:** PwC

¹⁰ Based on the concept of DSR in ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

22. The Task Force has developed a flowchart specific to experts used in a NAS to facilitate stakeholders' understanding of the classification:



Whether the use of the term competence in the definition of “expert” equates to expertise

23. A few respondents¹¹ noted that while the definition of an expert is *an individual possessing expertise that is outside of the PA’s competence*, the proposals stated that a threat to a PA’s compliance with the fundamental principles of integrity and professional competence and due care is created when a PA performs a professional service for which the PA has insufficient *expertise*. These respondents questioned:

- Whether the PA’s competence equates to the PA’s expertise; and
- Why the external expert is evaluated for its competence and not expertise.

In this regard, a few suggestions were provided. For example, one respondent suggested to include a definition of competence,¹² and another suggested replacing the use of the term competence with expertise.¹³

24. Regarding the definition of “expert,” the Task Force view is that the PA’s competence and the PA’s expertise are not the same and therefore cannot be used interchangeably. The reference to the PA’s competence refers to the PA’s obligation to comply with the fundamental principle of professional competence and due care (PC&DC) as set out in extant paragraph R113.1. This means that while a PA is expected to attain and maintain professional knowledge and skills at the level required to ensure that a client or employing organization receives competent professional service, the PA might not have the expertise (i.e., skills, knowledge and experience in a particular field) for a specialized subject matter. For example, a PA who has the competence to perform an audit of a mining company might

¹¹ PAOs/NSS: CPAA, ICAS, IFAC

¹² PAOs/NSS: CAI

¹³ PAOs: ICAS

not have the expertise specific to the valuation of mining reserves. In such circumstances, a threat to the fundamental principles is created if the PA carries out the professional service with a lack of such expertise.

25. In terms of why the external expert is evaluated for their competence and not expertise, the Task Force has added paragraph 390.6 A1 in the revised text to explain the relationship between the external expert's expertise and the evaluation of the external expert's competence. That is, *competence [of the external expert] relates to the nature and level of expertise of the external expert*. This additional guidance aligns with that in ISA 620, paragraph A14.

Clarification to the flowchart in Appendix 1 of the EM regarding identifying the different types of experts used in an audit engagement

26. Several respondents indicated¹⁴ that the flowchart contained in Appendix 1 of the EM was helpful and should be included in the Code, accompanying Basis for Conclusions (BfC) or non-authoritative materials following the finalization of the provisions.
27. However, a few respondents¹⁵ highlighted that the flowchart could be inadvertently misinterpreted to mean that internal experts cannot be engagement team members, which would be inconsistent with the extant Code paragraph 400.11.
28. Accordingly, the Task Force has refined the flowchart specific to experts used in an audit to clarify the matter raised:



29. The Task Force noted that as a matter of general practice, the Code does not include flowcharts. However, the Task Force recommends that they be included as part of non-authoritative

¹⁴ **Firms:** Mazars; **INSS:** NZAuASB; **PAOs/NSS:** CPAC, ICAS; **Regulators:** IFIAR, IRBA, IOSCO

¹⁵ **Firms:** PwC; **PAOs/NSS:** MIA

implementation support material the Board might commission as part of the rollout activities.

Other

30. In relation to the view that the IESBA should have simplified its approach to the classification of experts, the Task Force notes that specific definitions of “engagement team,” “audit team” and “external experts” already exist in the extant Code, which are aligned to, and interoperable with, the IAASB’s standards. The provisions and new definitions proposed are intended to better clarify these classifications, recognizing the need for the Code to address comprehensively the variety of external and internal individuals who might meet the definition of an expert.

B. CCO Approach¹⁶

31. The ED introduced a requirement for the PA to evaluate whether the external expert has the necessary CCO for the accountant’s purpose.
32. Respondents generally supported the approach, with some providing additional comments. Several respondents, however, disagreed¹⁷ with the approach. The significant comments, including the reasons for disagreement, were largely around:
- The duplication of the CCO evaluation with the IAASB’s standards.
 - A view that the CCO evaluation should be completed prior to the external expert starting their work.
 - A view that the CCO approach does not allow for the consideration of safeguards when threats to an external expert’s CCO are identified.
 - The need to have a continuous or regular assessment of the external expert’s CCO.
 - NAS

Task Force Responses

The duplication of the CCO evaluation with the IAASB’s standards

33. The ED contained a requirement to evaluate an external expert’s CCO and provided factors to evaluate CCO in ED paragraphs 390.6 A2 to A4. A few respondents¹⁸ felt that PAs performing engagements under ISA 620 and proposed ISSA 5000 may find the interoperability between those standards and the Code’s ethics provisions unclear because the CCO evaluation is already captured in ISA 620, paragraphs A14 through A20, and ED-ISSA 5000, paragraphs A108 through A116. Therefore, they were of the view that the proposals went beyond ethical standards and recreated performance standards.
34. In this regard, the Task Force notes that the requirement to evaluate an external expert’s CCO has a concrete ethical underpinning. This is because a self-interest or advocacy threat to a PA’s compliance with the principles of integrity, objectivity and professional competence and due care might be created if a PA uses an external expert who does not have the necessary CCO to deliver

¹⁶ Question 2 of the ED, *Do respondents support the approach regarding evaluating an external expert’s CCO?*

¹⁷ **Firms:** DTTL; **PAOs/NSS:** AE, AICPA, FACPCE, IDW, PICPA, NBA

¹⁸ **Firms:** GTIL, KPMG; **PAOs/NSS:** AICPA

their work for the PA's purposes (paragraph 390.6 A2 of the revised text).

35. While the Task Force acknowledges that the requirement to evaluate CCO and some of the relevant CCO factors are captured in the IAASB's standards, whether an external expert has the necessary CCO is *also* relevant to a PAPP's and PAIB's compliance with the fundamental principles of the Code in performing professional services other than audit and assurance engagements (i.e., NAS engagements) and professional activities, respectively.
36. However, to address the circumstance where relevant performance standards might already require the evaluation of an external expert's CCO in an audit or other assurance engagement, the Task Force has clarified in paragraph R390.6 of the revised text to state that the requirement applies "*to the extent not otherwise addressed by other professional standards.*"

The CCO evaluation should be completed prior to the external expert starting their work

37. As stated in the EM, the proposals allow the external expert to start their work while the CCO evaluation is ongoing. This is because in practice, it may not be practicable to wait until the completion of the CCO evaluation before engaging the external expert due to 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.
38. However, some respondents¹⁹ expressed the view that the CCO evaluation should be completed prior to the external expert starting their work. The concerns expressed ranged from the unnecessary costs or time delay that would be incurred by the PA if the external expert is determined not to have the necessary CCO but the expert's work has already begun, to the perceived pressure on the PA to "overlook" issues with the external expert's CCO if the expert's work is nearly complete.
39. The Task Force anticipates that when agreeing the terms of engagement and scheduling the start of the external expert's work, the PA would exercise professional judgment, balancing the potential benefits of having the external expert begin their work simultaneously with the PA's evaluation of the external expert's CCO, and the potential costs of later determining that the expert does not have the necessary CCO. In practice, as part of the planning process, the PA may consider it in the PA's interests to complete the CCO evaluation before the external expert begins work. However, in some circumstances, the need for an external expert might not be determined until after the PA's engagement has begun, given that planning is a dynamic process. Accordingly, the Task Force did not believe that the Code should be overly prescriptive in this regard.
40. In relation to the comments about potential pressure on the PA to overlook issues relating to the external expert's CCO, the Task Force notes that the PA would be in clear breach of the Code if the PA yielded to pressure and intentionally "overlooked" issues about the external expert's CCO just because the expert's work is nearly complete. In this regard, Section 270²⁰ of the Code would apply.

¹⁹ **INSS:** APESB; **PAOs/NSS:** ACCA, ICAS; **Regulators:** NASBA, PAAB, UKFRC

²⁰ Section 270, *Pressure to Breach the Fundamental Principles*

The CCO approach does not allow for the consideration of safeguards when threats to an external expert's CCO are identified²¹

41. Many respondents²² highlighted that the proposed CCO approach did not allow for the evaluation of an expert's CCO to be conducted applying a threats and safeguards approach, which would be consistent with the Code and is also reflected in ISA 620, paragraphs A18 and A19. For example, it was noted that whether the external expert has any safeguards in place to address potential threats to their objectivity was not considered in the proposals.
42. One respondent²³ provided suggestions of factors that might be relevant to evaluating the level of threats to an external expert's CCO such as (i) the external expert's profession, regulation and legislation, (ii) the extent and sophistication of any quality management system employed by the external expert in doing the work and producing a report, and (iii) the weight to be attributed to the external expert's contribution and expressed opinion in the overall assurance context of the engagement.
43. The Task Force, in coordination with IAASB staff, considered whether there could be possible safeguards that might address threats to an external expert's CCO. The Task Force agreed that there are no safeguards that can address circumstances where an external expert does not have the necessary competence or capabilities.
44. However, in relation to an external expert's objectivity, the Task Force agreed that there might be actions that could be taken that might address threats to an external expert's objectivity. Accordingly, the Task Force has added new paragraphs in the revised text to include:
 - Factors relevant to evaluating the level of identified threats to an external expert's objectivity (paragraphs 390.6 A8 and 390.12 A2);
 - Examples of actions that might eliminate such threats (paragraph 390.12 A3); and
 - Examples of actions that might be safeguards to address such threats (paragraphs 390.6 A9 and 390.12 A4).
45. In developing these new paragraphs, the Task Force took into account suggestions provided by respondents and also reviewed the Code's ethics and independence provisions set out in Sections 340, 410, 510, 520, 521 and 522 to derive analogous examples of relevant factors and actions for evaluating and addressing threats to an external expert's objectivity.

The need to have a continuous or regular assessment of the external expert's CCO

46. Some respondents emphasized that the evaluation of an expert's CCO should be continuous to reflect the dynamic conditions in which PAs will be applying the provisions.²⁴
47. One respondent²⁵ further stressed that the IESBA should include application material that addresses

²¹ Includes reference to respondents who highlighted this point in their response to Question 3 of the ED

²² **Firms:** DTTL, GTIL, KPMG, Mazars, PwC, RSM; **INSS:** NZAuASB; **PAOs/NSS:** AE, CAI, CAANZ, CNCC-CNOEC, FACPCE, ICAEW, IDW, IFAC, MIA

²³ **PAOs/NSS:** ICAEW

²⁴ **PAOs/NSS:** ICAEW; **Regulators:** IFIAR, IOSCO, UKFRC

²⁵ **Regulators:** IOSCO

circumstances where the PA might need to re-evaluate the external expert's CCO and re-evaluate threats that might be created from using the work of the external expert due to changes in facts and circumstances. For example, there might changes in the nature, scope, and/or objective of the work after the terms of the engagement have been agreed.

48. The Task Force accepted these comments. Accordingly, the Task Force has incorporated this need for agility in the CCO approach by adding a new requirement for the PA to re-evaluate whether the external expert has the necessary CCO for the PA's purpose when new information or changes in facts and circumstances arise (paragraph R390.14).
49. For audit or other assurance engagements, since the evaluation of the external expert's objectivity is based on the information provided by the external expert, the Task Force is proposing an additional requirement in paragraph R390.5(b)(ii) to require a PA to obtain a commitment from the external expert to communicate any changes to the information provided during the period covered by the audit or assurance report and the engagement period.

NAS

50. Significant comments in relation to a NAS included the following:

- The ED did not specify the timeframe for evaluating an external expert's objectivity for a NAS.²⁶

In this regard, the Task Force has included clarification that the evaluation should cover the whole period when the external expert is performing their work (see paragraph 390.6 A6). This differs from the timeframe of the objectivity evaluation for external experts used in an audit or other assurance engagement, because in a NAS or for a PAIB, there is no audit or other assurance report issued by the PA.
- Whether the factor relating to the external expert's reliance on their previous judgments or activities performed in undertaking their work is appropriate in the context of evaluating the objectivity of an external expert used in a NAS.²⁷

For example, this respondent explained that it can often be the case that the NAS provided by the PA involves elements of, or extensions to, services that an external expert previously provided to the same client. In these cases, having the external expert that was previously involved might be desired, or even requested, by the client due to the external expert's knowledge of, and experience with, the client, which can create efficiencies and facilitate a more rapid deployment of the PA's NAS.

On balance, the Task Force accepted this point. Accordingly, the Task Force has withdrawn this factor (see revised paragraph 390.6 A6 in **Agenda Item 3-C**) and its related example from the CCO evaluation (paragraph 360.6 A5 in the ED).

²⁶ **PAOs/NSS:** CAANZ, IPA

²⁷ **Firms:** EY

C. Prohibition on Using the Work of an External Expert if Deemed Not CCO²⁸

51. The ED proposed to prohibit a PA from using the work of an external expert if such expert is determined to not have the necessary CCO for the PA's purposes.
52. While respondents generally supported the prohibition, many respondents provided additional comments. Some respondents²⁹ expressed disagreement with the prohibition. The significant comments, including the reasons for disagreement, were largely around:

- A suggestion to clarify that the conclusion regarding the external expert's CCO is in relation to the *necessary* CCO, aligned with the requirement to evaluate if the external expert has the necessary CCO for the PA's purposes in ED paragraph R390.6.³⁰

For example, a PA exercising professional judgment might determine that an external expert having a financial interest in the entity at which they are performing work has the necessary objectivity in the context of a NAS, but not in the context of an audit engagement.³¹

- A suggestion to allow the PA to conclude on an external expert's CCO based on information the PA has been able to discern from sources other than information provided by the external expert. In this regard, there was a suggestion³² to replace ED paragraph 390.12(a) with "unable to determine whether the external expert is CCO."
- A suggestion to allow for a threats and safeguards approach to evaluating and concluding on the external expert's objectivity, consistent with ISA 620 and the Code. See the Task Force response on [safeguards](#) above.
- A suggestion to emphasize the application of professional judgment in the evaluation and conclusion.³³
- A perceived encroachment on, or inconsistency with, performance standards. In particular, it was noted that ISA 620 does not prohibit using the work of an external expert if the expert is deemed not to have the necessary CCO.³⁴
- A suggestion to allow for alternative procedures when the PA concludes that the external expert does not have CCO so that the external expert's work can be used.³⁵ It was noted that this would be consistent with ISA 620, paragraph 13(b)³⁶ or PCAOB's AS 1210.³⁷

²⁸ Questions 3 of the ED, *Do respondents agree that if an external expert is not CCO, the Code should prohibit the PA or SAP from using their work?*

²⁹ **Firms:** ASSIREVI, DTTL, GTIL, KPMG, Mazars; **PAOs/NSS:** AE, AICPA, CAANZ, CNCC-CEOEC, FACPCE, IFAC, PICPA, NBA

³⁰ **Firms:** EY, PwC, RSM

³¹ **Firms:** PwC

³² **Firms:** PwC

³³ **Firms:** ASSIREVI, KPMG, PwC; **PAOs:** MIA

³⁴ **Firms:** ASSIREVI, Mazars; **PAOs/NSS:** AE, AICPA, ICAS, IFAC, PICPA, SAICA

³⁵ **Firms:** DTTL, EY, KPMG, Mazars; **PAOs/NSS:** ACCA, AE, CAI, JICPA, NBA, SOCPA

³⁶ If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purpose, the auditor shall perform additional audit procedures appropriate to the circumstances.

³⁷ PCAOB AS 1210, *Using the Work of an Auditor-Engaged Specialist*

Task Force Responses

53. Responsive to the feedback, the Task Force has revised the wording of the prohibition in paragraph R390.13 to reflect that:
- The conclusion to be drawn by the PA regarding the external expert's CCO is based on whether the expert has the *necessary* CCO for the PA's purpose, aligning with the requirement to evaluate CCO in paragraph R390.6.
 - The determination of CCO is not limited to information provided by the external expert but can be based on sources other than information provided by the external expert, aligning with paragraph 390.6 A10 (revised bullet R390.13(a) reflects this change).
 - There are no safeguards capable of being applied if the external expert does not have the necessary competence or capabilities (revised bullet R390.13(b) reflects this change).³⁸
 - The incorporation of safeguards to address threats as a consideration when evaluating an external expert's objectivity (revised bullet R390.13(c) reflects this change).³⁹
54. Paragraph 390.6 A3 has also been added to emphasize the importance of exercising professional judgment when evaluating whether the external expert has the necessary CCO. This also emphasizes the use of the reasonable and informed third party test as suggested by a Monitoring Group respondent.⁴⁰

Perceived encroachment on, or inconsistency with, performance standards

55. The Task Force acknowledges that as drafted in the ED, the prohibition could be read as encroaching on the remit of performance standards. Accordingly, in addition to the revised drafting of the prohibition, the Task Force has also added paragraph 390.13 A1 to explain why the prohibition addresses an ethical issue rooted in the PA's compliance with the Code:

If a PA uses the work of such external expert [who has been determined not to have the necessary CCO], this creates threats to the PA's compliance with the principles of integrity, objectivity and professional competence and due care that cannot be eliminated or reduced to an acceptable level by the application of safeguards.

56. To enhance stakeholder understanding of the interoperability between the performance standards and ethics standards, the Task Force and IAASB staff have committed to add "hooks" within their respective standards to highlight what relevant ethical and performance requirements address when using the work of an external expert.
57. Therefore, the IAASB Sustainability Task Force has reflected the IESBA Task Force's revised ethical prohibition in the revised draft of proposed ISSA 5000:

Relevant ethical requirements applicable to the practitioner when using the work of a practitioner's external expert may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to evaluating whether an external expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. Such

³⁸ This position is in coordination and agreement with IAASB staff, see discussion on [safeguards](#) above.

³⁹ This position is in coordination and agreement with IAASB staff, see discussion on [safeguards](#) above.

⁴⁰ **Regulators:** IOSCO

provisions may prohibit the practitioner from using the work of a practitioner's external expert if the practitioner:

- (a) Is unable to determine whether the external expert has the necessary competence or capabilities, or is objective;*
- (b) Has determined that the external expert does not have the necessary competence or capabilities; or*
- (c) Has determined that it is not possible to eliminate circumstances that create threats to the expert's objectivity, or apply safeguards to reduce such threats to an acceptable level.*

In relation to performance standards that are not currently open for revision, the IAASB strategy and work plan⁴¹ includes a project for narrow scope amendments to ISA 620 and other relevant standards arising from this IESBA project on using the work of an external expert.

58. In the same vein, the Task Force also proposes adding a hook, agreed with IAASB Staff, to the relevant performance standards in paragraph 390.13 A2 of the revised text:

Applicable professional standards might address:

- (a) That the competence, capabilities and objectivity of an external expert are factors that significantly affect whether the work of the external expert will be adequate for the professional accountant's purposes; and*
- (b) The implications for the engagement if the accountant determines that such work is not adequate.*

Consideration of allowing for alternative procedures when the PA concludes that the external expert does not have the necessary CCO so that the external expert's work can be used

59. The Task Force deliberated at length, in coordination with IAASB staff, the comments received in relation to whether alternative procedures can be performed even if the external expert does not have the necessary CCO.
60. ISA 620 paragraph 9⁴² (see also the related application material in paragraph A14)⁴³ requires the auditor to evaluate whether the external expert has the necessary CCO for the auditor's purposes. It is, therefore, implicit that the auditor would be unable to use that expert's work if the expert did not have the necessary CCO. However, ISA 620 paragraph 13(b) allows for additional procedures to be performed when the auditor has determined that the expert's work is inadequate for the auditor's purposes.
61. In this regard, the Task Force considered whether the output produced by the external expert without the necessary CCO might be akin to information provided by an audit or other assurance client where the PA has a duty to perform procedures (i.e., in accordance with ISA 500)⁴⁴ to determine if it

⁴¹ [IAASB Strategy and Work Plan \(2024 to 2027\)](#)

⁴² The auditor shall evaluate whether the auditor's expert has the necessary CCO for the auditor's purposes.

⁴³ The CCO of an auditor's expert are factors that significantly affect whether the work of the auditor's expert will be adequate for the auditor's purposes.

⁴⁴ ISA 500, *Audit Evidence*. Following public consultation on the proposed revisions to ISA 500 (Revised), the finalization of the project has been combined with the initiation of a broader integrated project which includes the review of other extant ISAs.

constitutes sufficient appropriate evidence.

62. IAASB staff expressed their strong view that performing additional procedures over the external expert's work would not compensate for the expert's fundamental lack of CCO. Specifically, it was noted that using the work of such expert would raise audit quality concerns. The Task Force agrees that using the work of such expert as the work of an external expert would also raise ethical concerns as explained in the newly added paragraph 390.13 A1 of the revised text.
63. Nevertheless, with respect to respondents' suggestion for the Code to allow for the performance of alternative procedures when the PA concludes that the external expert does not have the necessary CCO so that the expert's work can be used, the Task Force notes that doing so would be outside the remit of the Code as the Code does not set performance requirements. However, given respondents' views on this matter, the Task Force has suggested to the IAASB staff to include an explanation on this matter when developing the Basis for Conclusions for ISSA 5000, noting that a future project to revise ISA 620 and other relevant standards is on the IAASB's work plan.

D. Additional Objectivity Requirements for an Audit or Other Assurance Engagement⁴⁵

64. As stated in the EM, stakeholders have heightened expectations regarding an external expert's objectivity in the context of an audit or other assurance engagement. Therefore, the ED set out additional required actions in evaluating the objectivity of an external expert in an audit or other assurance engagement, including requesting specific information from the external expert.
65. The information required from the external expert is largely based on the independence attributes of the Code to facilitate the PA's evaluation of whether the external expert has the necessary objectivity for an audit or other assurance engagement. The intent is to raise the threshold for the objectivity of an external expert in a sufficiently robust way for the work of the external expert to be used in the context of an audit or other assurance engagement.
66. Respondents generally expressed mixed views about the proposed approach. A number of respondents⁴⁶ expressed disagreement with the additional objectivity requirements. The significant comments, including the reasons for disagreement, were largely around:
- A perception that the proposed provisions were unduly onerous.⁴⁷ For example, it was felt that the information required to be obtained from the external expert was too broad⁴⁸ (i.e., it would include coverage of the external expert's immediate family members, external expert's employing organization, all members of the external expert's team and controlling owners of the external expert). It was also felt that the period of evaluation of the external expert's objectivity was too long.⁴⁹

⁴⁵ Question 4 of the ED, *In the context of an audit or other assurance (including sustainability assurance) engagement, do respondents agree that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor?*

⁴⁶ **Academia:** AFAANZ; **Firms:** KPMG, Mazars, PwC; **PAOs/NSS:** AE, AICPA, CNCC-CNOEC, IDW, ISCA, IFAC, PICPA, NBA, WPK

⁴⁷ **Firms:** DTTL, GTIL, Mazars; **PAOs/NSS:** AE, AICPA, CAANZ, CAI, CPAA, ISCA

⁴⁸ **INSS:** APESB; **Firms:** ASSIREVI, DTTL, KPMG; **PAOs/NSS:** IDW

⁴⁹ **Firms:** DTTL, KPMG, RSM; **PAOs/NSS:** AE, CAANZ, ICAEW, WPK; **Regulators:** IRBA

- A view that there would be challenges with implementation.⁵⁰ For example, because the external expert likely does not have established systems in place to monitor the interests and relationships referred to in the provisions, there might be no information available or questions might be raised about the accuracy of the information provided.⁵¹ In addition, there might be concerns about confidentiality and data privacy⁵² regarding the information required.
 - A view that the provisions would create barriers to using the work of an external expert, which it was argued would be detrimental to high-quality audits,⁵³ and would create a disproportionate impact and cost on small and medium practices (SMPs).⁵⁴
 - A view that the provisions went beyond what performance standards require.⁵⁵
67. A few respondents suggested additional information to be requested from the external expert.⁵⁶
68. There were also some suggestions to simplify the drafting of the provisions because the external expert is a non-PA and might not understand what is meant by the bullets. In this regard, there were also a few questions as to what some of the bullets would mean in practice.

Task Force Responses

Perceived onerous nature of the provisions

69. Regarding the concerns over the perceived onerous nature of the provisions, the Task Force revisited whether it is appropriate to (i) shorten the timeframe in respect of which to undertake the evaluation of objectivity, and (ii) narrow the scope of individuals and organizations related to the external expert that should be covered in the evaluation of the external expert's objectivity.
70. Recognizing stakeholders' heightened expectations regarding an external expert's objectivity when they are used in an audit or other assurance engagement, the Task Force reaffirmed its view that the provisions are appropriate because the external expert should be evaluated for objectivity by a PA on a consistent starting point (i.e., the timeframe and type of individuals considered) similar to the independence considerations vis-à-vis audit or assurance team members.
71. Once the information is received, the Task Force notes that the evaluation of objectivity is based on the PA's exercise of professional judgment to determine whether the external expert has the *necessary* objectivity. This differs from the strict independence that is required from audit or other assurance team members.
72. The Task Force further emphasizes that these provisions are simply in relation to *requesting the external expert to provide information* about the circumstances set out in paragraph R390.8. It is not for the PA to enforce requirements of independence on the external expert. Therefore, the Task Force does not consider that the proposed approach creates an unduly onerous or burdensome

⁵⁰ **INSS:** APESB; **PAOs/NSS:** AICPA, IFAC, SAICA, PICPA; **Regulators:** IRBA

⁵¹ **Firms:** BDO, DTTL, KPMG, Mazars, PwC; **PAOs/NSS:** AICPA, CAI, ICAEW, ICAS, JICPA,

⁵² **Firms:** DTTL, PwC; **PAOs/NSS:** AE, AICPA, CAI, CPAA, MIA, WPK

⁵³ **Firms:** PwC; **PAOs/NSS:** IFAC, MIA, PICPA

⁵⁴ **INSS:** NZAuASB; **Firms:** DTTL; **PAOs/NSS:** AICPA, CAANZ

⁵⁵ **Firms:** PwC; **PAOs:** AICPA

⁵⁶ **PAOs/NSS:** SOCPA; **Public Sector:** USGAO; **Regulators:** IOSCO

requirement on the PA.

73. The Task Force noted the following questions⁵⁷ raised over the assessment of an external expert's team in relation to paragraph R390.9, i.e.:

- Whether the assessment includes administrative staff, subcontractors, quality reviewers or peer reviewers who might be used by an external expert, or consultations which are performed by the external expert with other external experts.

The Task Force noted that the selection of individual team members is determined by the external expert. The Task Force anticipates that this would not include administrative staff, quality reviewers or peer reviewers who might be used by an external expert, or other consultations performed by the external expert to perform the work.

Rather, the external expert's team would include the team members involved in *performing the work of the external expert*. This is akin to engagement team members, being individuals performing procedures for the audit or other assurance engagement, and where administrative staff or quality reviewers, etc., are not members of the engagement team.

- If team members within an external expert's team change during the external expert's engagement, whether the intention is for the PA to assess the objectivity of work performed by the external expert who has left the external expert's organization.

The Task Force notes that if an external expert's team member was involved in performing the work, such team member must be evaluated for the necessary CCO in accordance with the provisions until the date at which they leave the external expert's organization.

- Whether the assurance practitioner would need to agree the external expert's team members through the engagement letter, to ensure completeness of the potential team members involved in performing the external expert's work.

Notwithstanding paragraph R390.5 of the revised text, the Task Force's view is that the PA is responsible for determining the best approach to engage the expert, and the Code should not prescribe how the PA should engage such expert.

Implementation challenges

74. As stated in the EM, in the context of applying these provisions, the IESBA does not expect that an external expert must set up, or have in place, a system of quality management similar to that expected for a firm or assurance practitioner. This is because the Code does not impose direct requirements on external experts, unless they are PAs, and such a system of quality management would not be enforceable on external experts because they are not in the assurance business.

75. This means that where a PA requests an external expert to provide information on any of the sub-bullets in paragraph R390.8 (for example, any direct financial interest or material indirect financial interest held by the external expert, their immediate family, or the external expert's employing organization in the entity at which the expert is performing the work), the IESBA does not expect the external expert to set up an internal monitoring process on the financial interests of all of these parties.

⁵⁷ INSS: NZAuASB; PAOs/NSS: AICPA

76. Instead, with due notice when agreeing the terms of engagement, the expert is afforded the opportunity to take the appropriate steps, in good faith, to gather the necessary information to disclose to the PA.
77. Accordingly, the Task Force has emphasized this point in the lead-in of paragraph R390.8 by adding “*to the best of their [the external expert’s] knowledge*” to preface the information that the external expert is requested to provide.
78. Regarding questions raised by respondents regarding how to ensure the accuracy of the information provided by the external expert, the Task Force’s view is that while a PA should not blindly accept the information received, consistent with adhering to the fundamental principle of professional competence and due care, the PA is not expected to verify the accuracy of the information received from the external expert about the circumstances set out in paragraph R390.8. Rather, when evaluating the information received, it is important that the PA apply paragraph 120.5 A1 of the Code and, therefore, have an inquiring mind, exercise professional judgment, and use the reasonable and informed third party test.
79. The Task Force acknowledges the concerns over the availability of information. When applying these provisions, the PA might encounter instances where the external expert is not able to provide the information relating to certain circumstances set out in paragraph R390.8 because:
- They do not have the information on record or available;
 - They have no access to such information; or
 - There are data privacy laws or other confidentiality concerns.
- The Task Force believes that it has now addressed respondents’ concerns over the availability of information such as in the circumstances set out above, since the revised paragraph R390.8 now emphasizes that the external expert is to provide the information about the circumstances set out in the bullets *to the best of their knowledge*.
80. However, the Task Force notes that the PA should exercise professional judgment to balance the information provided to the best of the external expert’s knowledge (paragraph R390.8), with an assessment of whether the absence of information is significant enough to prevent the PA from determining if the external expert has the necessary CCO (paragraph R390.13(a)).

Barriers to the use of the work of an external expert

81. A few respondents felt that the provisions will create barriers to the use of the work of an external expert and hinder audit quality due to their perceived onerous nature or the perceived implementation challenges.
82. As explained above, the Task Force does not consider that these provisions will create an overly burdensome requirement for PAs as the provisions are focused on requesting information from the external expert *to the best of their knowledge*. Therefore, the Task Force does not anticipate that firms will incur undue costs in applying the provisions relative to their intended objective of enhancing stakeholders’ trust in the audit or other assurance engagement when an external expert is used on the engagement.

83. On the other hand, the Task Force notes that audit quality will be undermined if the PA uses the work of an external expert where:

- The PA lacked the information needed to evaluate whether the external expert has the necessary objectivity; or
- The PA concluded that the external expert does not have the necessary objectivity.

This position is consistent with coordination discussions with the IAASB staff (see discussion on the [prohibition](#) above).

Provisions go beyond performance standards

84. The provisions provide an ethical framework for the PA to evaluate whether an external expert used in an audit or other assurance engagement has the necessary objectivity for the PA's purpose. As explained in newly added paragraph 390.13 A1, this is an ethical issue that threatens the PA's compliance with the fundamental principles.

85. The provisions set out detailed requirements to guide a PA through the types of interests, relationships and circumstances that the PA should evaluate in order to determine whether an external expert is objective.

86. The Task Force, however, recognizes the overlap with the performance standards because the external expert's CCO impacts the adequacy of the external expert's work. See discussion on the [prohibition](#) relating to the inclusion of "hooks" to the respective ethics and performance standards to emphasize that the provisions do not go beyond the performance standards.

Considerations related to specific bullets in paragraph R390.8

87. The Task Force also considered the various suggestions provided by respondents in relation to paragraph R390.8. Key considerations are set out below.

Lead-in on requesting the external expert to provide information

88. The Task Force considered comments regarding whether a written confirmation from the external expert, or inquiry with the external expert, or an automated questionnaire to the external expert, would satisfy paragraph R390.8.

89. The Task Force's view is that the PA should identify the most suitable method for obtaining the information based on the relevant facts and circumstances to facilitate the PA's identification and evaluation of threats to the external expert's objectivity.

90. The Task Force considers that the PA should not accept a simple "yes" response from the external expert with respect to the bullets in paragraph R390.8, but rather, request further details when any of the circumstances set out in the bullets exists, so that the PA can fully understand and assess the particular circumstance. Where there are no relevant interests, circumstances or relationships between the external expert and the entity at which the work is performed, no further details need to be requested.

Bullets (k) to (o) (Previously ED bullets (a) to (e)) on financial interests, loans, guarantees and close business relationships

91. The Task Force considered a suggestion to limit the information requested to only material or

significant interests or relationships.

92. In this regard, the Task Force noted that bullets (b) to (e) pertain to information “other than” where the loans or guarantees or close business relationships are immaterial or insignificant. Therefore, the Task Force considered simplifying the drafting by explicitly stating that only information about material or significant instances is required to be requested.
93. The Task Force’s view is that the drafting contains nuances that cannot be simplified in such manner because:
- The PA needs to have the full picture, to the best of the external expert’s knowledge, to identify and evaluate threats to the external expert’s objectivity. The request for information set out in paragraph R390.8 facilitates the PA’s identification of threats to the external expert’s objectivity. The consideration of materiality and significance is therefore relevant to the PA’s evaluation of the level of such threats. These threats are noted in the newly added paragraph 390.12 A2 of the revised text.
 - What is immaterial or insignificant is generally straightforward and clear, while what is material or significant requires judgement. If the request for information is limited to only material or significant instances, the judgment of what is material or significant would lie with the external expert rather than the PA.
 - For the same reasons, the Task Force’s view is also not to limit bullet (a) to a request for material direct financial interests only.
94. Furthermore, the Task Force observes that the bullets are drafted to be intentionally aligned with the extant Code for those specific independence attributes. This is because using different words to convey the same meaning could introduce confusion for PAs who are already familiar with the independence attributes. Aligning with the wording in the extant Code means that the PA would understand how to specify the information being requested of the external expert.
95. The Task Force also considered a suggestion not to request information about indirect financial interests from external expert as it may not be readily understood by them. However, the Task Force notes that it is the PA’s responsibility to be able to clearly specify information being requested from the external expert. Furthermore, such information is essential as indirect financial interests might threaten the external expert’s objectivity.
96. A respondent noted that the external expert might lack the necessary information about the entity at which it is performing work to enable the expert to determine what is an immaterial or insignificant loan, guarantee or relationship to such entity. Therefore, it was suggested that the benchmark to the entity in determining what is immaterial or insignificant be excluded from the request for information.
97. The Task Force’s view is that the external expert will generally be able to glean through common sense what is immaterial or insignificant to the entity at which it is performing work because it has access to the entity’s information in performing the work, and access to other sources of information that might be publicly available.

Bullet (a) (Previously ED bullet (f)) on previous and current engagements

98. The Task Force considered a comment that this bullet was not necessary, as the PA could perform inquiry with the entity at which work is being performed rather than request the external expert to provide such information. The Task Force’s view is that the PA is not precluded from performing

inquiry with the entity. However, the information provided by the external expert can also facilitate the PA's understanding of the nature of work previously or currently performed for the entity and assist in assessing whether there is a potential bias.

Bullet (b) (Previously ED bullet (g)) on length of the relationship

99. The Task Force noted the requests to clarify ED bullet (g) "how long the external expert...has been associated with the entity." There was confusion around what is meant by the term "association." For example, it was questioned whether the term "association" includes personal relationships. The Task Force's view is that it is inclusive of any type of relationship, whether personal or business, and has refined the bullet to be more direct: *"the length of the relationship of the external expert...with the entity."*
100. It was also questioned whether the information to be provided about the length of relationship should be limited to the period during which the external expert is being evaluated on their objectivity. This is on the grounds that the lead-in to ED paragraph R390.8 stated that the information being requested should reflect the period covered by the audit or assurance report and the engagement period.
101. The Task Force's view is that the information requested should cover relationships that existed prior to the period covered by the audit or assurance report and the engagement period. The Task Force notes that this bullet, combined with the information provided in ED bullets (f), (g) and (j), sheds important light on the nature and extent of the external expert's relationship with the entity at which the external expert performs the work. Accordingly, the bullet list has been reorganized so that these bullets follow on from each other as bullets (a) to (c).
102. Accordingly, the Task Force has removed the constraint on the timeframe in the lead-in of paragraph R390.8. Instead, the Task Force notes that the information in ED bullets (a) to (e) on financial interests, loans and guarantees, and close business relationships should be with respect to the period covered by the audit or assurance report and the engagement period, which is consistent with the period covered by the corresponding independence attributes in Part 4A of the Code. Interests or relationships that existed prior to the period of evaluation are not relevant for the evaluation of objectivity. For example, an interest might have been held in the past, but it has already been disposed of before the period of evaluation. Therefore, the Task Force proposes that this timeframe be specified for these bullets only. In doing so, the bullet list has been reorganized so that these bullets follow after the specified timeframe as bullets (k) to (o) (see revised paragraph R360.8 in relation to bullets (k) to (o)).

New bullet (f) and revised bullet (g) (Previously ED bullet (h)) on positions held in the entity

103. As drafted in the ED, the bullet proposed to require information regarding a position an external expert previously held, or is holding, as 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. The bullet also covered such instances with respect to the external expert's immediate family and management of the external expert's employing organization.
104. The Task Force reflected on a comment that ED bullet (h) was too broad and should be focused on whether the external expert was employed in a position relevant to the work the external expert is currently performing at the entity.

105. The Task Force noted that in applying the bullet as drafted in the ED, an external expert previously employed as a senior employee in the marketing department, for example, would be captured as “an employee in a position to exert significant influence over the preparation of the entity’s non-financial information.” This is because they would be able to have significant influence over non-financial information such as marketing strategy materials. Accordingly, the Task Force has narrowed the scope of the bullet to focus on those positions *currently held* that might create threats to the external expert’s objectivity in relation to the financial or non-financial information on which the PA will express an opinion or conclusion. The Task Force also took into account editorial suggestions to streamline the drafting of ED sub-bullets R390.8(h)(i) to (iii).
106. With this revision, the Task Force notes that the revised bullet (g) will no longer capture positions that had been previously held by management of the external expert’s employing organization. Upon reflection the Task Force considers the threat to the external expert’s objectivity created by this circumstance to be low.
107. Additionally, ED sub-bullet R390.8(h)(ii) has been moved to a new bullet in paragraph R390.8(f) in the revised text. In this regard, new bullet R390.8(f) is intentionally broader in scope than ED sub-bullet R390.8(h)(i), as it will capture whether the external expert is currently or recently employed, as a director, officer or employee, by the entity at which it is performing the work.

Bullet (h) (Previously ED bullet (i)) on previous public statements which advocated for the entity

108. The Task Force noted comments that the term “advocated” was unclear, and also a question as to whether public statements include court proceedings. There was a view that the bullet is unnecessary because the assessment of previous public statements does not apply to audit team members.
109. The Task Force observed that this request for information is not unusual. For example, an individual called to stand as an expert witness would typically be requested to provide information about their previous public statements (i.e., past articles, journals, etc.). However, this does not normally include the external expert’s past statements in court proceedings. The Task Force further observes that this information enables the court to determine whether the individual might have bias. Although such information is public, it still might not be easily found. Therefore, the Task Force proposes to retain this bullet.
110. On clarifying what advocacy means, the Task Force notes that such a term is not new to the Code, and an advocacy threat is defined in the Code. Used analogously with respect to an external expert, this would be the threat that an external expert promotes the entity at which it is performing the work to the point that the external expert’s objectivity is compromised. Instances of an advocacy threat to an external expert’s objectivity include public statements made by the external expert in the past that support the entity’s initiatives, position, work or policies.

Bullet (c) (Previously ED bullet (j)) on fees

111. The Task Force reflected on a comment that the request for information on fees is “extremely invasive, especially as it relates to the employing organization, and that it is not clear why any fee that is received from the entity is relevant for the assessment of objectivity.” In this regard, the Task Force also considered whether such information on fees should have a specified timeframe, such as the period of the evaluation of the external expert’s objectivity.

112. As discussed above, the Task Force's view is that this bullet, in conjunction with bullets (a) and (b) on previous or current engagements and the length of the external expert's relationship with the entity, respectively, would provide the PA with a solid base of information to facilitate the PA's identification of any potential bias in the external expert for the entity at which it is performing the work.
113. The Task Force further noted that more recent engagements/fees are indicators of a higher risk of a threat to the external expert's objectivity because these engagements would be closer to, or contemporaneous with, the period of the audit or other assurance report and engagement period. The PA must exercise professional judgment in the context of the facts or circumstances to evaluate the level of such threat. Accordingly, the term "recently" was added to this bullet to balance the concerns over the perceived invasive nature of the request with the importance of understanding such fees received. The Task Force also notes that in applying the term "recently," the PA should not request information on fees for a period that is shorter than the period of the evaluation of CCO, that is, the period covered by the audit or assurance report and the engagement period.

Bullet (d) (Previously ED bullet (k)) on gifts or other benefits

114. The Task Force noted a comment that it was unclear what "benefits" mean, as referred to in the bullet. There was also a comment that this assessment is not required of audit team members.
115. The Task Force noted that audit team members must comply with the Code, which sets out provisions pertaining to inducements, including gifts and hospitality. However, to clarify what "benefits" mean, the Task Force has added the term "gifts" to the bullet. The term "other benefits" encompasses donations and other types of remuneration. For example, some non-profit organizations might receive donations or other such types of remuneration for their work. Such non-profit organizations might be experts in niche areas related to societal or cultural matters for a sustainability assurance engagement or in sustainability reporting.
116. The Task Force also added a clarification that only information in relation to gifts and other benefits that are not trivial or inconsequential should be provided, aligning with the independence provisions in the Code.

Bullet (i) (Previously ED bullet (m)) on controlling owners

117. The Task Force noted a few comments that it is unrealistic to request the external to provide information about the nature and extent of any interests and relationships between the controlling owners of the external expert's employing organization and the entity at which they are performing work. For example, it was noted that consulting firms might provide services as an external expert. It was argued that many consulting firms do not have "controlling" owners, as they are frequently owned by many partners with small percentage ownership. Further, it was noted that private equity (PE) firms have been taking financial positions in some firms. It was argued that it is unreasonable to expect the external expert to request that the investor PE partner respond across the PE firm's holdings about the nature and extent of interests and relationships with the entity at which it is performing the work. It was also noted that it is unlikely that PE firms will share this information.
118. The Task Force recognized that there might be circumstances where there are no controlling owners in the external expert's employing organization. As such it has added "if any" in the bullet to clarify this point.

119. The Task Force noted that the ability to obtain the information is distinct from the issue of whether such interests and relationships pose threats to an external expert's objectivity:
- Regarding the evaluation of objectivity, the Task Force's view is that such interests and relationships are relevant to, and will impact, the PA's evaluation of the external expert's objectivity. Therefore, the Task Force believes it is important to retain the bullet.
 - In relation to whether the external expert can obtain such information from the controlling owners, the Task Force notes that the clarification to the lead-in of paragraph R390.8 now emphasizes that the external expert is to provide such information to the best of their knowledge.

Thresholds

120. There was also a suggestion to provide more clarity on the threshold for certain qualifying terms used in paragraphs R390.8 and R390.11 A1. For example, it was questioned as to what the threshold of "immaterial" and "insignificant" would be in ED bullets (a) to (e), "material" in bullet (a), "controlling" in bullet (m) in paragraph R390.8, and "control" in paragraph R390.11 A1 second bullet.
121. The Task Force notes that these terms are to be read in the context of the specific bullets in which they are used, for example, whether a relationship is insignificant to the entity at which the external expert is performing the work, or whether a relationship is insignificant to the external expert's employing organization. Therefore, there are no fixed or prescribed thresholds for such terms, which is generally consistent with the approach in the extant Code.

External expert's employing organization

122. The Task Force also noted a concern that the phrase "external expert's employing organization" might not be understood correctly, and that for external experts within a group structure, this could be interpreted as including other companies in the group. The Task Force notes that the intent is in relation to the organization that directly employs the external expert, rather than the head office of a group structure or other intermediary entities or subsidiaries of the group.
123. Therefore, it has added paragraph 390.6 A7 to clarify this point:

The external expert's employing organization is the entity that directly employs the expert, regardless of the legal form of the employment, and does not extend to other entities that might control, or are otherwise related to, the employing organization.

Understandability by external experts

124. The Task Force noted a comment that since external experts are not PAs, they might not understand what is required of them in paragraph R390.8.
125. For non-PA practitioners performing a sustainability assurance engagement, the Task Force noted that in general, an overall educational and training effort would be needed to ensure that they apply the provisions in a consistent manner.
126. For PAs performing an audit or other assurance (including sustainability) engagement, the Task Force noted that since these bullets are drawn from the existing independence attributes of the Code, PAs should be able to understand what type of information is required from the external expert.

127. In either circumstance, the PA or non-PA practitioner would need to explain the types of information being requested, as set out in paragraph R390.5(b)(i) in agreeing the terms of engagement.

Additional information suggested to be provided by the external expert

128. Respondents also suggested that there should be:

- Removal of the specified timeframe in the request for information in ED paragraph R390.8,⁵⁸ which the Task Force has withdrawn.
- A bullet to request information about gifts and hospitality and actual or threatened litigation, such as set out in the extant Code Sections 420 and 430, respectively.⁵⁹

The Task Force notes that gifts and hospitality are covered under bullet (l). With regards to actual or threatened litigation, the Task Force has included a new bullet (e) to address this..

- A bullet to request information about any additional relationships or circumstances in relation to the entity at which the external expert is performing the work that may be relevant in considering the external expert's objectivity.⁶⁰

The Task Force's view is that paragraph R390.8, bullet (n), in relation to any actual or potential conflicts of interests would address this "catch-all" point.

- Elevation of the application material in paragraph 390.11 A1 to a requirement.⁶¹ The Task Force notes that this application material is already explaining a requirement in paragraph R390.11. Therefore, in applying that requirement, the material in 390.11 A1 would guide the PA as to the examples of interests, relationships or circumstances to consider.

III. Other Matters

129. Other matters raised by respondents included the following:

- More clarity is required around the ED provisions on using the work of multiple experts.⁶² In this regard, the Task Force has added paragraph 390.20 A1 to the revised text.
- The topic of applying the provisions as a PAIB, where the PAIB has no authority to evaluate an external expert's CCO or enter into terms of engagement with the external expert.⁶³

The Task Force notes that the extant Code recognizes circumstances where PAIBs in a less senior position might have a lesser ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. However, the PA is still responsible for conducting the CCO evaluation, and where the PA does not have the authority to do so, they should refer to another PA who has such authority. This also applies to agreeing to the terms of engagement.

⁵⁸ **PAOs/NSS:** SOCPA

⁵⁹ **Regulators:** IOSCO

⁶⁰ **Public sector:** USGAO

⁶¹ **Regulators:** IOSCO

⁶² **Firms:** DTTL, **PAOs/NSS:** AE, CAI

⁶³ **INSS:** APESB; **PAOs/NSS:** KICPA

It was also questioned⁶⁴ what the period of objectivity should be for an external expert used by PAIBs. The Task Force has clarified this in the revised text (see paragraph 290.6 A6).

- Sustainability-specific suggestions,⁶⁵ such as to expand paragraph 5390.8 to incorporate information on broader conflicts which may be relevant to an external expert's objectivity, drawing specifically from the wider range of sustainability-related matters and scenarios, which may impact their objectivity. For example, the respondent commented that an external expert's objectivity might be impacted by aspects of activities, products, or services from the entity at which the external expert is performing the work, for example:
 - Disruption to the community where the external expert resides, caused by the entity, might negatively impact objectivity.
 - The external expert being a member of a community receiving some sponsorship from the entity might positively impact objectivity.

The Task Force acknowledges these circumstances and notes that this would be more broadly covered by paragraph R5390.8(n) on conflicts of interests. The Task Force notes that to draw out the context of such conflicts as described would be better addressed in non-authoritative materials.

The Task Force also noted comments in relation to Section 5390 that were provided as part of the comment letter responses to the Sustainability ED from the International Accreditation Forum, the Japan Accreditation Board, the International CFO Alliance, and UNCTAD's African Regional Partnership for Sustainability Reporting. Support for the proposals was noted, with a few questions or additional examples suggested, including:

- How to distinguish between a sustainability expert and a sustainability practitioner, and in general how to apply the factors specified in the CCO evaluation in practice.⁶⁶
- A suggestion to add a factor for evaluating an external expert's competence that is related to their experience in assurance activities carried out in accordance with recognized accreditation processes.⁶⁷

The Task Force notes that the question above, i.e., the difference between a sustainability expert and sustainability practitioner, would be considered and addressed as part of the general efforts towards implementation support and capacity building targeted at non-PAs adopting the new Part 5 of the Code. In relation to the other suggestion, the Task Force notes that the definition of an external expert excludes individuals possessing expertise in the field of assurance.

- A suggestion for more clarity around the delineation of using an external expert in a NAS versus having a business relationship with an external expert (for example, going to market on a joint product with an external expert).⁶⁸ In this regard, the Task Force has emphasized that the provisions only apply with respect to external experts used in a professional service in

⁶⁴ **PAOs/NSS:** CAANZ, ICAEW

⁶⁵ **INSS:** NZAuASB

⁶⁶ International CFO Alliance

⁶⁷ International Accreditation Forum

⁶⁸ **Firms:** PwC; **PAOs/NSS:** MIA

paragraph 390.2.

- Documentation, ranging from suggestions to document only significant matters⁶⁹ to expanding the documentation to all matters and for it to be mandatory.⁷⁰ There were also suggestions to include agreeing the terms of engagement with the external expert as part of the documentation provisions.⁷¹

The Task Force noted that the encouragement to document is generally consistent with how the Code addresses documentation in the context of professional services, and therefore has not made it mandatory or included specifics on agreeing the terms of engagement. The Task Force has, however, clarified that the encouragement to document applies only to significant discussions with the external expert (see paragraph 390.23 A1).

- There should be inclusion of the self-review threat as a potential threat with respect to the PA's compliance with the fundamental principles arising from using the work of an external expert.⁷² The Task Force accepted this point and proposes including such a threat in paragraph 390.16 A1(b).

There were also comments⁷³ as to whether the advocacy threat as drafted was too broad, as it appears to indicate that a PA cannot use an external expert to perform work in support of its client's position in a NAS or in support of the employing organization's position for PAIB activities.

The Task Force noted that the advocacy threat as drafted is an example where a potential advocacy threat might arise, and the onus is on the PA to evaluate whether such threat is at an acceptable level.

- Consideration of feedback from targeted outreach. The Task Force noted and considered the feedback from various outreach activities from the perspectives of investors and other users, preparers, and regulators.
 - Investor feedback was supportive of the proposals, with a few investors suggesting that there should be transparency through disclosure in the audit or other assurance report about the use of an external expert.

In this regard, the Task Force has shared this feedback with the IAASB staff. The Task Force also notes that ISA 620⁷⁴ and proposed ISSA 5000⁷⁵ include requirements explaining why there is generally no disclosure regarding the use of external experts in the

⁶⁹ **PAOs/NSS:** MIA; **Firms:** PwC

⁷⁰ **Regulators:** IOSCO, IRBA; **PAOs/NSS:** CPAC, SAICA

⁷¹ **Regulators:** CEAOB; IAASA

⁷² **PAOs/NSS:** ICAS; **Regulators:** IOSCO

⁷³ **Firms:** DTTL, KPMG; **PAOs/NSS:** CPAC

⁷⁴ Paragraph 14: "The auditor shall not refer to the work of an auditor's expert in an auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor's report that the reference does not reduce the auditor's responsibility for the auditor's opinion."

⁷⁵ Paragraph 189: "If the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report shall not identify the expert, unless required by law or regulation, or otherwise imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert."

audit or sustainability assurance report, unless required by law or regulation. This is because any disclosure with regard to using the work of an external expert in the audit or assurance report could detract from the PA's responsibility for the overall audit or assurance report.

- Feedback from preparers stressed that the evaluation of an external expert's CCO should be continuous. The Task Force has considered this, as discussed above.
- Feedback from regulators highlighted a potential risk of increased pressure on a firm to accept the work of an external expert if the evaluation of CCO is conducted at the same time as the external expert is performing their work. It was noted that such pressure might increase if the evaluation of CCO is concluded closer to the time of completion of the external expert's work. This is because of the time and cost already spent, as well as any deadlines that might need to be met.

The Task Force has considered this matter as discussed above.

- The need for transitional provisions.⁷⁶ It was noted that sustainability is a immature area and the lack of external experts who meet CCO requirements might not be a temporary issue as sustainability topics subject to disclosure are expected to continue to evolve, and there will continually be emerging areas, such as technology. Therefore, it was believed that the period of the transitional provision should be considered.

The Task Force noted that the effective date of these provisions, once finalized, would be aligned with the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and ethics standards for sustainability reporting. The IESSA's proposed effective date is also aligned with that for the proposed ISSA 5000. See the discussion on effective dates in **Agenda Item 2-B**.

The Task Force's view is that transitional provisions with respect to these provisions should allow a PA to continue until completion, any engagement with an external expert for which the work has already commenced under the extant provisions of the Code and which precedes the effective date of the provisions. The Task Force does not believe that any other transitional provision is necessary as the proposed effective date of the provisions (December 2026) would allow for a two-year implementation period from the anticipated date of IESBA approval of the provisions.

Further, the public interest objective is to ensure stakeholder trust and confidence when the work of external experts is used. Therefore, the Task Force's view is that transitional provisions which allow the use of the work of external experts who do not have the necessary CCO, in order to accommodate emerging fields or areas, would be contrary to the public interest.

⁷⁶ PAOs/NSS: CAI, CAANZ, CPAA, IFAC, IPAA, JICPA; Regulators: IFIAR, IRBA