

## Using the Work of an External Expert For Reference Only – Compilation of Exposure Draft (ED) Comments (General and By Question)

**Note:** This document has been prepared for reference only. An overview of the significant comments received on the Exposure Draft and the Task Force's related responses are included in **Agenda Item 3-A**. All comment letters on the ED can be accessed here.

This document is set out as follows:

- [Introductory Comments](#)
- [Question 1](#) - *Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions?*
- [Question 2](#) - *Do respondents support the approach regarding evaluating an external expert's competence, capabilities and objectivity? Are there other considerations that should be incorporated in the evaluation of CCO specific to PAIBs, PAPPs and SAPs?*
- [Question 3](#) - *Do respondents agree that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work?*
- [Question 4](#) - *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 to address the heightened public interest expectations concerning external experts? If not, what other considerations would help to address the heightened public interest expectations?*
- [Question 5](#) - *Do respondents support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert? Are there other considerations that should be included?*
- [Other Matters](#)
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## INTRODUCTORY COMMENTS

Introductory Comments		
	Respondent	Extract of Comment
<b>Academia and Research Institutes</b>		
	<b>Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand (AFAANZ)</b>	<p>We begin by commending the International Ethics Standards Board for Accountants (IESBA) for their work on revising the International Code of Ethics for Professional Accountants (including International Independence Standards) (The Code) as it relates to Professional Accountant’s (PA’s) and Sustainability Assurance Practitioner’s (SAP’s) use of external experts.</p> <p>Given the increasing breadth of the PA’s and SAP’s work, there is an increasing need to draw on the work of experts (e.g., Boritz et al. 2020) and an increasing possibility that inappropriate reliance on that work by the PA or SAP may threaten the PA’s or SAP’s compliance with the fundamental principles of The Code. Appropriate evaluation of the work of the external expert helps to minimise that threat.</p> <p>Overall, we believe that the proposals, when considered collectively, will enhance the PA’s and SAP’s evaluation of an external expert’s work, but that there remain opportunities for the IESBA to make further improvements to The Code in this area.</p> <p>We limit our comments to the questions for which we are of the view that the extant research literature may meaningfully contribute. Specifically, we comment on Questions 1, 2 and 4.</p> <p>In summary, we feel that the IESBA;</p> <p>should retain reference to experience when speaking of expertise (see our response to Question 1),</p> <p>should cross reference discussions on evaluating the external expert’s competence, capabilities and objectivity to material in The Code on threats to compliance with fundamental principles from conscious and unconscious bias (see our response to Question 2), and</p> <p>clarify the expectations as they relate to the evaluation of an external expert’s objectivity for audit and other assurance engagements (see our response to Question 3),</p>
<b>Accounting Firms and Sole Practitioners</b>		
	<b>Association of the Italian Audit Firms</b>	Assirevi fully agrees on the introduction of new sections to the IESBA Code addressing the use of the work of an external expert both in relation to audit engagements and sustainability assurance engagements and, in particular, the process of assessing his relevant competency, capability and objectivity (so called “CCO” evaluation).

	<p>Nonetheless, we wish to bring IESBA's attention on certain issues arising from the Exposure Draft ("ED") addressing some general comments, in addition to the answers to the specific questions below.</p> <p>Assirevi appreciates the choice made by the IESBA to place the new sections in Part 3 of the Code relating to ethics requirements and not in Part 4A relating to independence requirements. This means that the CCO's evaluation is made from an ethics perspective and not from an independence point of view. The choice helps also to clarify that if an external expert turns out not to be objective this will not impair the independence of the professional accountant ("PA")/sustainability professional accountant ("SAP").</p> <p>Furthermore, as highlighted in answer to question nr. 1, Assirevi ascertains that the IESBA clarified that an "external expert" is not a member of the engagement team, audit team, review team. Nevertheless, some provisions in the Exposure Draft seems to be inconsistent with this clarification. Indeed, the assessment of the competence, capabilities, and objectivity of an external expert as provided in the Exposure Draft includes some requirements that in the IESBA Code are specific to audit team members. In effect, when assessing the CCO for audit or other assurance engagements, according to paragraph R390.8 (paragraph R5390.8) the professional accountant (or the sustainability assurance practitioner) shall request the external expert to provide a list of additional information that usually relates to the independence of audit/assurance team members (e.g. any direct financial interest or material indirect financial interest, any loan, or guarantee of a loan, any close business relationship, etc.). Moreover, such an assessment concerns not only the external expert but also his immediate family member, his organization and his engagement team.</p> <p>Assirevi believes the IESBA's approach to evaluate the objectivity of the external expert involved in audit or other assurance engagements is too broad and therefore suggests re-evaluating it as described in the answers to questions below.</p> <p>Finally, the Exposure Draft states that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using his work. As mentioned in answer to question nr. 3, Assirevi believes that the evaluation of the audit evidence on the CCO assessment should be addressed by the specific auditing and assurance standard and that the IESBA should refrain from setting auditing and assurance standards.</p> <p>In light of the above, please find below some comments relating to questions contained within the explanatory memorandum to the Exposure Draft.</p>
<p><b>Baker Tilly</b></p>	<p>The rules seek to be accessible to and understandable by non-accountants. By non-accountants we mean both non-accountants providing assurance on sustainability information and non-accountants who are using the sustainability information that has been assured. It's imperative that any rules are clear, concise, and readily understandable across the range of potential users.</p>

		<p>The proposed rules are too complex to meet that benchmark. As professional accountants we find the material challenging to understand and think about how we might implement effectively, which raises questions about how non-accountants will cope with the volume and complexity of the rules.</p> <p>The proposed rules are stricter than those currently in force for use of experts in audits of historical financial information (HFI). The case for making stricter rules has not been made and we are not aware that regulators or users of audited HFI have identified that independence of experts in accordance with the current rules is anything other than a theoretical risk. The current rules for audits of HFI in section 220 are sufficient, fit for purpose and should apply by analogy to ESG assurance engagements.</p> <p>We are also concerned that overly complex rules could inadvertently hinder efforts to promote ESG initiatives. The growing need for independently assured ESG information necessitates a regulatory framework that encourages transparency and accountability without imposing unnecessary burdens. Unnecessarily complex rules may hinder organisations in reporting high quality ESG information. In the context of external experts there is concern among our members that either or both the reporting entity and the assuring firm could find it difficult to appoint experts in certain areas. That appointment will be made more difficult if the associated independence rules are unnecessarily strict. Prior to adoption of the rules we recommend a period of research into the availability of experts in various ESG topics, the impact of proposed rules on that availability compared with the actual (rather than theoretical) threat to independence from actual relationships.</p>
	<b>BDO</b>	Overall, BDO is supportive of the proposed Exposure Draft and we have presented our responses to each of the specific questions below.
	<b>Crowe</b>	<p>We appreciate the Board’s efforts to address questions raised about whether external experts should be subject to independence requirements in audit and other assurance engagements, especially considering the growing involvement of experts in assurance engagements, and also to address questions raised about ethical implications of using experts in providing non-assurance services.</p> <p>We agree with the Board’s decision to focus the proposed provisions on external experts and not internal experts since internal experts are already subject to their employing organization’s policies and procedures for ensuring compliance with ethical principles. Similarly, we agree that management’s experts do not need to be separately covered by the ethical principles in the Code since this is part of evaluating the information provided by management.</p>

We appreciate the establishment of an ethical framework to guide PAs in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) in order for the PA to use the expert's work. We agree with the Board's decision to move away from requiring external experts to be independent and instead evaluate through the lens of objectivity.

We agree that using the work of an external expert might create threats to a professional accountant's (PA) compliance with fundamental principles, including integrity, objectivity, professional competence and due care. If an external expert is not competent, capable and objective, PAs should not rely on their work in performing their engagements. However, the approach for evaluating competence, capabilities and objectivity should be judgmental and flexible. A prescriptive approach is not in the best interest of stakeholders, even though it may seem like that is an effective method, because it will create undue burden on experts and PAs without the intended benefits. We believe the intent of the requirements can be achieved in a less onerous manner by making these considerations and not requirements.

We strongly disagree with the prescriptive approach outlined in the Proposal for evaluating the objectivity of the external expert, specifically the requirements in paragraph R390.8. Including these independence attributes as a prescriptive list may lead PAs to believe that all of these relationships would impair objectivity. It would be more appropriate to include these as factors a PA may consider in performing their objectivity assessment. The objectivity evaluation should not be a one-size-fits-all list of requirements, but instead should be a tailored assessment based on the nature and extent of the involvement of the expert. Certain experts may have limited impact on the assurance engagement, and the objectivity assessment should be reflective of that. In addition, many of the requirements listed are not defined and will be difficult to interpret and apply.

For audit and assurance engagements, the information that PAs are expected to obtain from external experts, the expert's immediate family members, and employing organizations is onerous. It is important to note that most external experts may not have systems in place to track and report this type of information. Consequently, relying on the completeness and accuracy of such information becomes challenging.

Additionally, the requirement to request information about the nature and extent of any interests and relationships between controlling owners of the employing organization and the entity raises concerns. There may be confidentiality, legal and regulatory restrictions in gathering this information and providing to PAs.

		<p>We have significant concerns about updating the requirements in R390.8 throughout the engagement period. This will require significant effort for PAs to update this information throughout the engagement period, which extends until the report is issued. More importantly, the external expert's objectivity would only be in question for the period of their engagement, not the period of the PA's engagement. Therefore, it is more appropriate to require the objectivity assessment to align with the external expert's engagement period.</p> <p>Specific Observations</p> <p>In addition to our general observations outlined above, we have the following specific observations where clarification or modification should be considered.</p> <p>The competence evaluation includes obtaining information about the expert's education and training (paragraphs 290.2 A2, 390.6A2, 5390.6 A2). We believe this is less relevant to the competency evaluation and will be harder for PAs to evaluate unless they are knowledgeable about relevant education and training that is required to support the expertise. Obtaining an understanding of professional certification, license, or accreditation would be a more relevant measure of competence.</p> <p>The capabilities evaluation includes considering whether the expert has sufficient time and available resources (paragraphs 290.6 A3, 390.6 A4, 5390.6 A4). We are concerned the PA will not be able to appropriately evaluate unless they have specific knowledge about the length of time required to complete the work and resources needed. At best, the PA will be reliant on the expert's own assessment of whether they have sufficient time and available resources.</p> <p>One of the example safeguards for reducing the familiarity threat includes using another external expert to reperform the external expert's work (paragraphs 290.11 A2, 390.16 A2, 5390.16 A2). If another expert is reperforming the work, this seems to be eliminating the threat not just reducing the threat. We suggest replacing this safeguard with a provision of having another external expert review the original expert's work.</p>
	<p><b>DTTL</b></p>	<p>Deloitte Global recognizes that in this rapidly changing world of increasing complexity, a professional accountant may need to seek assistance from an external expert to comply with the fundamental principles of the International Code of Ethics for Professional</p>

		<p>Accountants (including International Independence Standards) (the “Code”) when performing professional activities. However, a professional accountant’s compliance with the fundamental principles of the Code may also be threatened if they fail to establish that the external expert has the right competence and capabilities for the work in question. Furthermore, when the work is being used in connection with an audit or assurance engagement, it is important that the professional accountant (or assurance practitioner) establishes that the external expert is also objective given the heightened public interest in such services. The requirement to evaluate the external expert’s competence, capabilities and objectivity (“CCO”) must be properly scaled to ensure a professional accountant has the necessary experts available to them without creating an undue burden on either the professional accountant or the external expert arising from the need to evaluate the external expert’s CCO.</p> <p>The premise of requiring an evaluation of an external expert’s CCO in the context of audit and assurance engagements is consistent with what is already required in the auditing standards. However, this proposed standard is directly affecting whether sufficient appropriate audit evidence can be obtained and seems to be going beyond the requirements of the ISAs. Deloitte Global has concerns that the specific requirements as proposed in the ED may prove to be inoperable, could detract from audit quality and have the potential to generate other unintended consequences, including restricting competition in the audit space—all of which are not in the public interest. While we acknowledge the explanatory memorandum notes there already has been careful coordination between the IESBA and the IAASB, we urge the two Boards to continue to work together and, in particular, to consider whether one standard is unintentionally overriding the other. It also will be important to coordinate on matters that may arise with the finalization of International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements (“ISSA 5000”) that may impact this proposed standard and vice versa.</p> <p>We also believe that the proposals in the ED that apply in a non-assurance context would benefit from further refinement, more specifically when assessing an external expert’s objectivity. Additional considerations to differentiate requirements for use of an external expert in these cases will increase the operability of the standard without jeopardizing compliance with the fundamental principles of the Code.</p>
<p><b>EY</b></p>		<p>We are overall supportive of the IESBA’s efforts to establish an ethical framework to guide professional accountants (“PA”) and sustainability assurance practitioners (“SAP”) in evaluating whether an external expert has the necessary competence, capabilities and objectivity (“CCO”) for the PA’s and SAP’s intended purpose. We agree with the Board that with the increasing use of external experts and the relevance of their contribution to the services provided by PAs and SAPs, in particular in the area of sustainability, a framework is necessary to keep the Code fit for purpose. We also agree that an increased rigor in evaluating the objectivity of an external expert used for audit, other assurance and sustainability assurance engagements is responsive to the heightened public interest expectations. However, we believe that in order to meet the objective the IESBA seeks, further coordination with the IAASB is essential in order to achieve holistic and interoperable standards. While we understand there has been close coordination between IESBA and IAASB, ideally, the IESBA and IAASB should work jointly on their enhancements to their standards rather than separately. Without this level of coordination, we see a risk that the results of the evaluation performed under the IESBA’s proposals of an external expert’s CCO will be</p>

		<p>misaligned with the evaluation requirements of International Standards on Auditing 620, “Using the Work of an Auditor’s Expert,” (“ISA 620”), as well as the proposed evaluation requirements included in the IAASB’s Exposure Draft of proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards (“ED ISSA 5000”). As more fully explained in our response to question three below, because of the overlap of the IESBA’s proposals with the requirements of ISA 620 and the proposals of ED ISSA 5000, and the potential significant consequences for the PA’s and SAP’s ability to obtain sufficient appropriate evidence, we strongly urge that the IESBA and IAASB be jointly involved in deliberating the potential consequences of the results of the CCO evaluation being misaligned between the standards. Therefore, we suggest that the IESBA first take into consideration the IAASB’s responses to comments to, and deliberation on, its proposals in ED ISSA 5000 prior to the finalization of the IESBA’s proposals, since the evaluation of an external expert’s objectivity is a matter that impacts the availability of evidence used in audit, other assurance and sustainability assurance engagements. Finally, we believe the IESBA’s and IAASB’s proposals should be issued concurrently with a similar effective date.</p>
	<p><b>Grant Thornton</b></p>	<p>We thank the Board for their continued efforts to serve the public interest and acknowledge the challenges they face to set high-quality standards that will enhance the profession. However, we do have some significant concerns regarding the proposed revisions to the current proposal which we discuss in our comment letter.</p>
	<p><b>KPMG</b></p>	<p>We appreciate the timeliness of this project given the increasing demand for sustainability assurance engagements and the expectation that the involvement of external experts may be an important feature of such engagements. We agree that a professional accountant (PA) or sustainability assurance provider (SAP) should evaluate the competence, capability and objectivity (CCO) of an external expert when they intend to use that expert’s work to obtain sufficient appropriate audit or assurance evidence. We also agree that the use of the external expert’s work could create threats to the PA’s or SAP’s compliance with the fundamental principles.</p> <p>We have differing views, though, on certain components of the standard’s proposed approach to the evaluation of objectivity. We believe that excluding the consideration of threats to the external expert’s objectivity and disallowing the application of safeguards seems to not only be in conflict with the Code’s conceptual framework, but also in opposition to the auditing and proposed sustainability assurance standards. The evaluation of the external expert’s objectivity, as well as competence and capability, should be from the viewpoint of whether or not the expert has the “necessary” CCO which includes consideration of the nature and extent of the audit or assurance evidence to be obtained.</p> <p>Further, we do not support the evaluation of an external expert’s objectivity in an audit or assurance engagement being performed through application of independence attributes. It is unnecessary to apply independence-level considerations to an external expert who is not part of the audit or assurance team and who does not have the ability to directly impact the audit or assurance engagement. Additionally, applying “independence through [the] lens of objectivity” potentially gives rise to misconceptions and false expectations due to the lack of clarity. This will also increase the risk of inconsistent application of the standards as there will be uncertainty among practitioners of what</p>

		<p>is required.</p> <p>We also believe the proposed requirements for audit or assurance engagements may create significant barriers to engaging external experts. The challenges for external experts to gather the requested information will be extensive, as their organizations likely do not have monitoring processes or systems in place, or a system of quality management. It will be onerous and costly for these individuals/organizations to be able to fulfill the proposed request from the PA or SAP and these costs will be passed on to the client and its stakeholders. These barriers may be so challenging that external experts could be dissuaded from accepting such engagements, leading to a potential shortage of experts. Due to these significant concerns, coupled with the fact that we do not believe it is appropriate to apply independence attributes to external experts, we do not agree that the additional provisions for an audit or other assurance engagement are in the public interest.</p>
	<p><b>Mazars</b></p>	<p>We welcome and support the need for greater clarity in the Code on ethical considerations for the use of experts and applaud the efforts of the IESBA in developing these proposals. This is particularly timely as it is likely that the use of experts in sustainability assurance engagements may often be more extensive than in financial statements audits, meaning that there may therefore be greater dependence on subject matter experts in sustainability engagements.</p> <p>While we support most of the proposals set out in the exposure draft, we have a number of concerns as highlighted in the responses to the specific matters for comment below.</p> <p>Our major concern relates to the additional provisions relating to the evaluation of the external expert’s objectivity in relation to audit and assurance engagements. We agree with the principle that additional work effort may be required for such engagements, but we do not believe that the proposals set out in the exposure draft are appropriate or achievable in practice. We do not consider it viable to expect external experts to provide much of the information required without incurring undue cost or effort in establishing systems to enable them to monitor compliance with “independence” requirements. These requirements raise the potential for experts to disengage from providing audit and assurance related expert services, impacting on the availability of experts and quality of audit and assurance engagements. We therefore strongly urge the IESBA to reconsider these requirements. (Further detail is provided in our response to Question 4).</p>
	<p><b>PKF</b></p>	<p>Specifically, this letter comments on the proposed revisions to the Code relating to the use of the work of an external expert. We are generally supportive of the revisions proposed by the IESBA.</p>
	<p><b>PwC</b></p>	<p>Our understanding of the proposal is that it aims to establish an ethical framework to guide professional accountants (PAs) in public practice and in business, and sustainability assurance practitioners (SAPs), in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) for the PA or SAP to use the expert’s work for the intended purposes.</p>

Overall Comments

In principle, we support the creation of an ethical framework to guide PAs and SAPs in evaluating an external experts' CCO when using their work in the provision of professional services. Experts play an important role in providing necessary expertise that supports audit quality and will play an even more important role in supporting SAPs in evaluating and assuring sustainability information relating to a broad range of sustainability matters. Having robust requirements and guidance that address an evaluation of the CCO of such individuals is therefore warranted and in the public interest.

It is also essential that there is interoperability between relevant ethical requirements and applicable auditing and assurance standards. In this regard, we have some significant concerns about the extensiveness and practicality of aspects of the proposed provisions. We have set out our most significant concerns in summary below and provide additional detail in our responses to the Board's request for specific comments included in the appendix to this letter. Where possible we have sought to provide recommendations on how such concerns could be addressed. Our detailed responses also include suggestions on certain other substantive matters that we believe require further consideration, plus suggestions of where additional clarity or guidance might be useful.

References in our response to proposed Section 390 should be read as applying equally to proposed Section 5390, unless otherwise stated. Please note that while we are not commenting on proposed Section 290, specific outreach to PAs in business is likely necessary for the IESBA to ensure these stakeholders fully understand the consequences of the proposed requirements and what is expected of them.

Proposals related to audit and assurance engagements are unnecessarily prescriptive

We believe the requirements to be performed by the PA or SAP in order to evaluate the external expert's objectivity set out in proposed paragraph R390.8 are unnecessarily prescriptive. We believe this could lead to an inability for practitioners to obtain the information required with a consequent detrimental impact on audit/assurance quality.

Although the IESBA has indicated it is not proposing the application of an independence standard for external experts whose work is used in an audit or other assurance engagement, we believe the proposals could be perceived as imposing the same concepts that apply in

the independence standards to objectivity, which is likely to create confusion as to the intended application of such requirements. Our concerns are exacerbated given the evolving nature of sustainability assurance engagements (see, for example, the IESBA's Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting) and the extent to which experts will likely be used in those engagements in the future. More than ever, experts play a crucial role in performing services and supporting engagement quality in areas where their expertise is necessary to support PAs and SAPs. Therefore, it is not in the public interest if standards create inappropriate barriers to the necessary use of external experts for the performance of high-quality engagements.

We believe the requirement in paragraph R390.12(a) regarding circumstances when the PA or SAP shall not use the work of the external expert does not appear to appropriately allow for the use of professional judgement by the PA or SAP if some of the information described is not obtained, and in evaluating the information that has been obtained regarding the external expert's objectivity, to determine whether their work can be used. Taken together, the combination of R390.8 and R390.12 are, in our view, too restrictive and do not appear proportionate. We provide further details on these concerns in our responses to questions 2, 3 and 4 in the appendix to this letter.

#### Implications for the IAASB's standards

We believe the proposals in the ED might have significant consequences for the International Auditing and Assurance Standards Board (IAASB), as the IESBA proposals would impose performance requirements beyond the IAASB's audit and assurance standards. While we appreciate there has been a degree of collaboration between the two boards in the development of the IESBA proposals, the IAASB has not yet had the opportunity to fully evaluate and consider the implications of the IESBA's proposals for its standards. If these proposals are finalized in their current form, we are concerned that this may restrict the ability of an auditor or practitioner applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and ISA 620, Using the Work of an Auditor's Expert, from using the work of an external expert when necessary.

In moving forward with its own new standard governing the performance of sustainability assurance engagements (International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements), the IAASB did not consider it necessary to enhance its baseline requirements relating to using the work of external experts in ISAE 3000 (Revised) for those engagements.

In the interests of their collective stakeholders, it is critical that the IESBA and the IAASB continue to work in tandem to develop and

		<p>assess the impact of one Board's work on the other, in a manner that does not undermine due process for either Board. Accordingly, we recommend that the IESBA reconsider the specificity of their proposals. We make a number of recommendations in our detailed responses in the appendix to this letter that we believe would make the proposals more proportionate and address our primary concern described above. If changes are not made to make the requirements more proportionate, we believe the IESBA should not finalize any changes until the IAASB has been able to fully deliberate these matters and consider the implications on its standards, so that all stakeholders have had the opportunity to consider the effects of the proposals in totality, ideally as a single package. As a general principle, we believe this is the most effective approach for stakeholders and enhances the effectiveness of the proposals rather than one Board running ahead of the other, resulting in the implications for the other Board's standards being addressed only after the first Board has finalized its changes, thereby potentially constraining the actions of the second Board and creating a risk of sub-optimal outcomes.</p> <p>Implications relating to other professional services</p> <p>While our concerns are not as significant regarding the requirements relating to professional services other than audit and assurance engagements, we nonetheless have concerns regarding the specificity of factors for PAs and SAPs to consider in evaluating the CCO of a potential external expert, as set out in proposed paragraphs 390.6 A2-A6, and the impact of R390.12(a). We recommend that the Board adopt an approach that clearly permits the PA and SAP to exercise appropriate professional judgement in making the CCO determination, taking account of information the PA or SAP might obtain (e.g., through inquiries made of the external expert) or actions they may take (such as through their review of the expert's work).</p>
	<p><b>RSM International</b></p>	<p>We are supportive of the IESBA introducing an ethical framework to guide professional accountants and sustainability assurance practitioners, in evaluating whether an external expert has the necessary competence, capabilities, and objectivity ("CCO") to use that expert's work for the intended purposes. We also encourage the IESBA to work closely and collaboratively with the IAASB to ensure that the assurance standards address these performance requirements in a cohesive manner.</p> <p>However, there are areas where we have specific comments, suggested amendments and additions which we have set out by responding to the specific questions below. In providing comments, we have referred to proposed section 390. The principles behind our comments and the suggested changes also apply to section 5390 and, where relevant, section 290 unless otherwise specified.</p> <p>Language recommended for deletion is struck through. Language recommended for addition is underlined.</p>
<p><b>Independent National Standard Setters</b></p>		

<b>Accounting Professional &amp; Ethical Standards Board (Australia)</b>	<p>APESB supports the IESBA's project to revise the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) to clarify the professional and ethical requirements when using the work of an external expert.</p> <p>APESB is of the view that the proposed revisions will enhance the credibility of professional activities performed by professional accountants and sustainability assurance practitioners, which involve the use of external experts. However, we believe some refinements to requirements and additional guidance on key matters would assist professional accountants and sustainability assurance practitioners in clarifying how to implement the proposals in practice.</p> <p>In developing APESB's response to the Exposure Draft, we have considered a local submission made to the APESB on this exposure draft and Australian stakeholders' feedback from a roundtable event conducted by APESB on 26 March 2024. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies and accounting firms.</p> <p>APESB's key recommendations are noted below. In addition, Appendix A provides APESB's responses to the IESBA's specific and general questions.</p> <p>Recommendations</p> <p>APESB's key recommendations in relation to the Exposure Draft for the IESBA's consideration are:</p> <p>Consider revisions to the proposed definition of 'external expert' to remove duplication of the reference to being outside the field performed by the professional accountant or sustainability assurance practitioner.</p> <p>Reconsider maintaining alignment with the definition of expertise in ISA 620 Using the Work of an Auditor's Expert by including a reference to experience in the same definition in the Code.</p> <p>Incorporate guidance from the Explanatory Memorandum on the timing of the Competence, Capability and Objectivity (CCO) evaluation of the external expert into the body of the Code.</p> <p>Reframe the requirements for obtaining information from external experts about their objectivity to set out a principles-based approach</p>
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		<p>with the list of information related to objectivity being set out as application material.</p> <p>Include examples of situations where using multiple external experts might create additional threats or impact the level of threats.</p> <p>Consider more pragmatic solutions for SMPs to be able to take action to address threats to the fundamental principles when using external experts.</p>
	<p><b>New-Zealand Auditing &amp; Assurance Standard Board</b></p>	<p>The NZAuASB agrees that it is important to address the use of experts, especially in the context of sustainability given the range of expertise that may be required. The overall objective of the proposals had a focus on exploring the independence or objectivity of the external expert. We agree that the approach followed by the IESBA in developing the objectivity considerations is broadly appropriate. We consider the revised definitions are reasonable, and generally are responsive to the public interest expectations around using experts.</p> <p><b>Competence</b></p> <p>The NZAuASB considers that competence and objectivity are of equal importance, particularly for sustainability experts, where the breadth of competence needed may be extensive.</p> <p>We recommend that the IESBA ensure that there is sufficient material to assist an assurance practitioner determine what competencies are required when using an expert, and how to find an appropriate expert.</p> <p><b>Interaction with performance-based assurance standards</b></p> <p>The NZAuASB requests further clarity as to how these IESBA proposals will work with the requirements for using the work of external experts contained within performance-based assurance standards.</p> <p>We recommend that the IESBA, the IAASB and other standard setters, for example the International Organisation for Standardization (ISO), continue to work together to ensure the ethical and the performance-based requirements work in conjunction, to ensure the requirements do not cause confusion, or complacency, for assurance practitioners across all types of assurance services.</p> <p>We also encourage the IESBA to continue to connect with other industries, and work with the International Accreditation Forum (IAF) to determine how the requirements can support build the market capacity of external experts who can be utilised across a range of assurance services.</p> <p><b>Implementability</b></p> <p>We question whether the requirement to evaluate the objectivity of all members within an expert’s team provides the appropriate balance. We are concerned that the expected costs of compliance may incentivise assurance practitioners to not engage external experts, which could lead to assurance services being performed without appropriate external experts.</p> <p>We recommend that the IESBA limit the objectivity requirements to individuals who have responsibility and accountability within the</p>

		<p>external expert's team for the provision of expert services, and the ability to significantly influence the external expert's conclusions, rather than all individuals within the external expert's team.</p>
<p><b>Investors and other Users</b></p>		
	<p><b>Impax Asset Management</b></p>	<p>We would like to first congratulate you for issuing this draft so timely following the March-April 2023 IESBA global sustainability roundtables. We believe this shows the commitment of IESBA to raise the ethical standards of both practitioners and non-practitioners globally that will be welcome by both domestic and international investors as well as other stakeholders in the market.</p> <p>In general, we agree with all the proposals and clarifications made by the IESBA in this exposure draft. For example, the definitions of Expert and External Expert and Evaluating an External Expert's Competence, Capabilities and Objectivity (CCO). We would encourage the CCO evaluation under proposed paragraphs R390.6 and R390.12 to be concluded before the external expert starts the work (and therefore prior to agreeing to the terms of engagement). If there are unavoidable constraints, such as a tight window within which an external expert can complete the work, a proper explanation should be provided at the beginning of the opinion's report so that users of the report could take that into account.</p> <p>We would like to conclude our letter by sharing the view that we believe the proposals are largely in the best interests of international investors with a more reliable assurance report.</p>
<p><b>Professional Accountancy Organizations (PAOs)</b></p>		
	<p><b>ACCA</b></p>	<p>PART A: GENERAL COMMENTS</p> <p>We commend the IESBA for the development of the Exposure Draft of Using the Work of an External Expert (ED-WEE) in response to the demand to address the ethics, including independence, considerations relating to the use of all experts, whether employed or externally engaged by an employing organisation or firm in audit, sustainability, and other assurance engagements, the provision of professional services other than audit and assurance services, and the preparation of financial and non-financial information. .</p> <p>We commend the proposed ED-WEE in attempting to establish an ethical framework to guide PAs (Professional Accountants) in public practice and in business, and SAPs (Sustainability Assurance Practitioners), respectively, in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) for the PA or SAP to use the expert's work for the intended purposes.</p>

We recognise the long-term implications of setting a global standard in place and note that the associated requirements may need to evolve as it is implemented. Globally consistent high-quality standards in relation to the use of external experts are important to assess whether the nature of the work of experts and their contribution to the audit/assurance opinion should trigger a requirement for them to be subject to independence requirements (through the objectivity lens), like other individuals who are part of the engagement team. We understand the proposed ED-WEE is integral to the ED-IESSA and have read it with that ED (Exposure Draft).

The three new sections to the Code addressing using the work of an external expert (Section 390 for PAs in public practice (PAPPs), proposed Section 290 for PAs in business (PAIBs), and proposed Section 5390 for SAPs), succinctly outline the nature of the work of experts and their contribution to the audit/assurance opinion that triggers a requirement for them to be subject to independence requirements, similar to other individuals who are part of the engagement team, in order to ensure consistent information for users of the information (including sustainability information).

From an enforcement standpoint, clarity, enforceability, and practicality are paramount considerations in evaluating ED-WEE. We encourage further clarity on how the standards accommodate the unique perspectives and expertise of sustainability assurance practitioners outside of the accountancy profession. Effective oversight of assurance work, and experts used as part of that work, is critical to the reliability and integrity of the reporting system, to ensure that the quality of assurance work is maintained, and the interests of investors and other users of such assurance work is protected. We believe therefore that it is important that in each jurisdiction, effective oversight of the assurance work performed is established to ensure that the work is performed in accordance with the assurance standard(s) approved within the jurisdiction.

We note the development of the Exposure Draft of Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (ED-IESSA) and will file a response through the IESBA website in accordance with the appropriate timeline on 10th May 2024.

#### PART B: FEEDBACK FROM OUTREACH

We agree there is a need for an overarching standard that sets the global baseline for expert use, and we commend the IESBA for developing ED-WEE. Feedback from the outreach that we have carried out is reflected in our responses to the detailed consultation questions and we have also set out key elements of feedback from our roundtables below, including comments from our Global Forum

for Ethics.

We understand the IESBA's approach recognises that expectations will evolve, and the standard may need to be refined over time as well as supplemented by additional standard(s) when needs are identified going forward.

While ED-WEE is effective as an overarching standard, our outreach feedback suggests that there is a need for more specificity in addressing some of the challenging aspects of the standard such as evaluation of CCO, the timing of the evaluation and further support for non-PAs in practical understanding and applicability. Additional requirements/standards/guidance would be helpful in these areas. We suggest that the IESBA prioritises these areas when considering its future work in this area.

During our review of the ED-WEE, we noted that the diagrams clarified the context of the proposals and the desired public interest position they are intended to achieve and therefore suggest that they could be repurposed into implementation guidance.

We note that the language used in the ED-WEE is rooted in terminology and concepts used in the IESBA Code, ISA (International Standard on Auditing) 500, ISA 620 and ISAE 3000 (revised) and ISSA (International Standard on Sustainability Assurance) 5000 (proposed). While this is necessary to ensure consistency in the application of terms, we note that some non-PAs may not be familiar with certain terminology and concepts used. Therefore, we believe that non-professional accountant practitioners (NPAPs) may need additional implementation guidance for the ethical ED-WEE.

During our roundtables, participants discussed the potential impact of widening the scope of the work of experts to address external experts used in professional services beyond auditing to include for example sustainability assurance. Various viewpoints were raised, considerations discussed, and challenges associated with evaluating the competence, capabilities, and objectivity of external experts, particularly in the context of sustainability assurance and engagements which are noted below. Notably there was an acknowledgment of the complexities involved and the need for careful consideration to ensure ethical obligations are met and quality assurance is maintained whilst using the work of experts.

We acknowledge the evolving nature of sustainability assurance and the need for multidisciplinary expertise and the evaluation of these experts. While there were concerns raised during our roundtables about enforcement, the sustainability regulatory landscape, and

	<p>potential barriers to entry in the sustainability assurance area in general, there was also optimism about the growing interest in ethics in sustainability assurance and the role of standard setters in supporting education and practical application of the proposals. Overall, there is a sense of collaboration around ethics in sustainability assurance and a recognition of the importance of addressing these issues around the use of experts collectively and the associated role of IESBA in driving this change.</p> <p>We encourage further clarity on how the standards accommodate the unique perspectives and expertise of sustainability assurance practitioners outside of the accountancy profession and how non-accountants will be regulated in practice.</p> <p>We encourage the Board to continue its work on future priorities and work plan for developing additional standards and guidance and make these public as soon as possible. This will enable regulators to consider whether any additional requirements would be appropriate to reflect local jurisdictional demands.</p> <p>Local regulators and audit oversight bodies will be able to consider these matters for their jurisdictions, but we encourage the Board to consider the need for collaboration and communications about these matters to ensure a consistent approach where possible, in relation to the oversight of application of the requirements by non-PAs providing assurance, sustainability or otherwise.</p>
<p><b>Accountancy Europe</b></p>	<p>Professional accountants (PA) and sustainability assurance practitioners (SAP) increasingly use the work of external experts in areas such as technology and sustainability in order to deliver consistently high-quality services. In this regard, we welcome IESBA's decision to address ethics implications of using experts in professional engagements. However as set out below and in our responses to the questions, we have concerns with the specific requirements as proposed in the Exposure Draft.</p> <p>The Code should aim for the highest level of ethical standards while not discouraging PAs and SAPs to use external experts on their engagements as involving experts supports the quality of services performed.</p> <p>The ultimate responsibility for the quality of the service always lies with the PA/SAP and the exposure draft along with the explanatory memorandum does not sufficiently recognise this.</p> <p>In addition, proposed provisions are not responsive to the public interest as they will lead to unintended consequences – for Small and Medium Practices (SMPs) in particular – due to the potential inability to use experts, excessive administrative burden and costs introduced. In fact, we do not agree with the IESBA's assumption that the evaluation of competence, capabilities and objectivity is a pure binary exercise. Finally, the proposals contradict with IAASB standards which will result in confusion and inconsistency in practice.</p>

<p><b>American Institute of Certified Public Accountants Professional Ethics Executive Committee</b></p>	<p>PEEC has significant concerns with the proposed standards as drafted. PEEC supports the concept of PAs<sup>1</sup> adhering to ethical standards when using the work of external experts and agrees that it is important for a PA to evaluate an expert's competence, capabilities, and objectivity. PEEC believes, however, that:</p> <p>The standards should not be profession-agnostic.</p> <p>Certain aspects of the proposed standards belong in performance standards.</p> <p>The proposed standards will be challenging for PAs and external experts to implement.</p> <p>The project timeline does not allow for an adequate cost/benefit analysis and the possibility of re-exposure.</p> <p><sup>1</sup> We are responding to the exposure draft only in the context of PAs since SAPs who are not PAs are outside of the AICPA's purview. Many of PEEC's concerns, however, extend to the exposure draft more broadly, including those relating to lack of clarity and implementability.</p> <p>Regulatory and enforcement oversight observations</p> <p>IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities. In PEEC's capacity as a national standard setter and enforcement body, we offer the following observations:</p> <p>Protecting the public interest</p> <p>Broadening IESBA standard setting beyond accountants is highly problematic and is not in the public interest, as it will result in stakeholder confusion, dilution of the standards for PAs, and erosion of public trust.</p> <p>The remit of IESBA is setting ethical standards for professional accountants under the oversight of the Public Interest Oversight Board (PIOB). IESBA develops standards with the intention to adhere to the Public Interest Framework (framework), which establishes the development and oversight of international audit-related standards that are responsive to the public interest. The framework includes, among other characteristics, clarity, timeliness in addressing identified needs without sacrificing quality, implementability, enforceability, and consistent and global application. The proposed standards do not meet these characteristics.</p> <p>Clarity</p> <p>IESBA standards utilize terms and concepts specifically understood by professional accountants, supported by education, training, experience and national standards and guidance. Many of these terms and concepts have subjective elements and require the use of professional judgment. Those without the equivalent level of training and experience of PAs may be challenged to understand and apply such terms and concepts appropriately. This could have the unintended consequence of giving those attempting to utilize or understand the application of the standards, users of the work, and other stakeholders a false sense of compliance.</p>
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	<p>Timeliness in addressing identified needs without sacrificing quality</p> <p>IESBA intends to finalize and approve the proposed standards by December 2024, which we acknowledge is driven by the attempt to align with the proposed sustainability standards. However, this timing creates tremendous pressure to conclude that re-exposure is unnecessary, regardless of the feedback received on the exposure draft. It is not in the public interest to rush due process. Additional research is needed to demonstrate that the proposals could be implemented in a cost-effective way that would also achieve the desired goal of public protection.</p> <p>Implementability and global operability</p> <p>The vast majority of input into IESBA's due process emanates from highly experienced accounting organizations, accounting firms and stakeholders with an understanding of accounting and auditing (including applicable ethical) standards, operability, financial statement reporting and related needs, and the public interest.</p> <p>IESBA was created to facilitate global development and adoption of consistent ethics and independence standards for PAs and to minimize standard fragmentation. National standard setters may be unable to adopt non-PA codes of ethics. This could result in inconsistent adoption and enforcement of the requirements for PAs across jurisdictions, making convergence even more challenging and less likely. Moreover, national standard setters may lose confidence in IESBA's standard setting leadership if IESBA is no longer perceived as prioritizing standard setting for the benefit of PAs and their stakeholders. A loss of confidence in IESBA's standard setting leadership for licensed PAs contrasts with IFAC's objectives to serve the public interest by enhancing the relevance, reputation and value of the global accountancy profession.</p> <p>Erosion of public trust and public protection</p> <p>In addition to the code, the public accounting profession has had requirements in place for decades that govern, discipline, and regulate PAs. The public and capital markets trust and rely on PAs because of the requirements that PAs obtain and maintain their credentials and licenses. These requirements include other public protections, such as robust performance and quality management standards, ongoing quality inspections, and stringent enforcement processes that identify and discipline those not in compliance with the requirements. Allowing non-PA assurance providers to use and cite the code when these other public protections are not in place may give the public the impression that those providers are subject to the same rigorous standards as PAs or even that those providers are PAs, when that may not be the case. This will create confusion, undermine the value of the PA credential, and dilute the strength of the IESBA standards over time.</p>
<p><b>CAANZ</b></p>	<p>Chartered Accountants Australia and New Zealand (<b>CA ANZ</b>) appreciates the opportunity to provide comment to the International Ethics Standards Board for Accountants (<b>IESBA</b>) on its proposals to address Using the Work of an External Expert (<b>the ED</b>). We make this submission on behalf of our members and in the public interest.</p>

We agree with the Public Interest Oversight Board's (**PIOB**) comments and observations with respect to the growing use of experts by Professional Accountants (**PAs**). We support the PIOB's contention that it is in the public interest to assess whether the contributions made by experts should be subject to the independence requirements of the International Code of Ethics for Professional Accountants (**the Code**). We support the view that using the work of an external expert might create threats to the PAs or Sustainability Assurance Practitioner's (**SAPs**) compliance with the fundamental principles, particularly integrity, objectivity and professional competence and due care, and agree that threats arise due to the increased use of, and reliance on, external experts and the risk associated with improperly evaluating either the expert or their work.

CA ANZ is broadly supportive of the proposals that include the addition of the following three new sections to the Code and other related amendments to the Code:

- Section 390 for PAs in public practice (**PAPPs**);
- Section 290 for PAs in business (**PAIBs**); and
- Section 5390 for SAPs.

We commend the IESBA for predominately using a principles-based approach to develop the proposed sections. A principles-based approach is essential given the variety, complexity and scope of services provided by experts. Subject to our specific comments below and in Appendix A, we support the ethical framework established by these proposed new sections to assist in evaluating whether the expert has the necessary competence, capabilities, and objectivity (**CCO**) to meet the intended purpose/s of the engagement.

We agree with the IESBA's proposed approach to revise the extant definition of an external expert. However, we are concerned that the exclusion of "experience" in the proposed definition of "expertise" will result in a focus only on skills and knowledge and will be inconsistent with the definition contained in ISA 620 *Using the Work of an Auditor's Expert (ISA 620)*. Suggestions to consider are included in our response to **Question 1 in Appendix A**.

We conceptually agree with the CCO framework to evaluate the appropriateness of the external expert. However, we foresee significant practical challenges that may occur due to objectivity requirements applying to all experts regardless of the scope, importance, or materiality of their work. In sections 290, 390 and 5390 there is uncertainty regarding the period to which the proposed objectivity requirements would apply for all professional services. Please refer to our response to **Question 2 in Appendix A**.

We support prohibitions in a principles-based Code *only* where the risk/s to the public interest cannot be eliminated or reduced to an acceptable level via application of available safeguards. A complete prohibition for failing the CCO test is likely to have the effect of

		<p>limiting the availability of experts which may not be in the public interest. Further discussion on this point is included in our response to <b>Question 3 in Appendix A</b>.</p> <p>While it is imperative to ensure that appropriate levels of rigour are applicable to audit and assurance engagements, we are concerned that the proposed requirements at R390.8-.11/R5390.8-.11 do not achieve the right balance and hence may impede access to experts. In paragraphs 390.8-.9/5390.8-.9, the period during which the objectivity requirements are proposed to apply to the expert and their team is protracted and we consider that the approach may not be the best solution to address public interest concerns. Please refer to our response to <b>Question 4 in Appendix A</b>.</p> <p>The Explanatory Memorandum (<b>the EM</b>) refers to PAs/SAPs needing to assume that experts operate within a similar ethical framework to PAs/SAPs. The Code does not require PAs/SAPs to evaluate or make assumptions about the ethical frameworks applicable to other professions. Further discussion on this point is included in our response to <b>Question 5 in Appendix A</b>.</p> <p>Our responses to the specific questions for comment raised in the ED follow in <b>Appendix A</b>, and <b>Appendix B</b> provides more information about Chartered Accountants Australia and New Zealand (<b>CA ANZ</b>).</p>
	<p><b>Chamber of Financial Auditors of Romania</b></p>	<p>Considering the IESBA's Exposure Draft Using the Work of an External Expert in the context of Sustainability assurance, we would like to outline a few aspects:</p> <p>It is important for auditors to be able to rely on the provisions of the Code for guidance in assessing the competence, capabilities, and objectivity of an expert's work used for audit or sustainability assurance engagements.</p> <p>On the other hand, external experts are needed on many such assurance engagements, and often more so on the audits of SMEs conducted by SMPs where there may be less in-house expertise to draw on in specialist areas.</p>
	<p><b>Chartered Accountants Ireland</b></p>	<p>Engaging the work of an external expert can improve the quality of an engagement, which improves the value of output to stakeholders and serves the public interest. Chartered Accountants Ireland supports the IESBA initiative to develop high-quality ethical standards addressing the use of the work of an expert by professional accountants and all sustainability assurance providers. We agree with the need to meet stakeholder expectations for high standards of ethics in the provision of sustainability assurance services. Therefore, regarding the professional agnostic Part 5 of the Code, we support the development of an appropriate and effective regulatory framework that is at least similar to that existing for professional accountants, and that enforces these standards and oversees their application by sustainability assurance providers who are non-professional accountants.</p> <p>Our full response to the request for specific comments is detailed in Appendix I. However, we would like to highlight two of our key concerns in this cover letter:</p>

		<p>We encourage the IESBA to revisit the prescriptive requirements for evaluating the objectivity of an external expert for audit, sustainability and other assurance service providers. Objectivity is a fundamental principle of the Code, and it is important any threats are identified and appropriately safeguarded. However, the proposed requirements, which are more onerous than the ISA 620 and proposed ISSA 5000 requirements, include an overly prescriptive list of information to be gathered and evaluated, and a prohibition on using the work of the external expert if the practitioner is unable to obtain the information in full. For reasons outlined in our detailed response in Appendix I, we believe this list would better serve as a list of examples, within application guidance, and for the requirements to instead place more emphasis on well-established threats and safeguards mechanisms to evaluate objectivity.</p> <p>The proposed definition of “expertise” is open to inconsistent interpretation. It could be clearer, and more consistent with ISA 620, proposed ISSA 5000, and the reputable dictionary sources referenced by the IESBA, by highlighting this is a higher level of “knowledge and skills in a particular field”. We recommend the IESBA to also include a definition of “competence”, consistent with the fundamental principle of “Professional Competence and Due Care”. This will provide greater clarity on the distinction between competence and “expertise” and ensure a more consistent application of the requirements on using the work of an external expert. Appendix I contains more detail on this.</p>
	<p><b>CNCC- CNOEC</b></p>	<p>We understand that this ED results from the work previously done by IESBA on the definitions of engagement and audit teams, and stems from the demand of the regulators to deal with the independence/objectivity of those external experts who are neither members of the engagement team, nor of the audit team. It was also triggered in the context of sustainability assurance where more experts will be needed.</p> <p>We strongly believe, however, that the ED goes too far on the additional provisions relating to evaluating an external expert’s objectivity in new section 390.</p> <p>We consider that by adding this long list of requirements in R 390.8 on financial interest, loans, business relationships, previous or current engagements, any position as director, any previous public statements, any fees, any benefits, etc., the IESBA is departing from requiring objectivity from the external experts to actually requiring them to be independent under the same rules as the auditors.</p> <p>Contrary to the initial intent stated in the explanatory memorandum, the ED, as drafted, leads to evaluate the objectivity of the external experts through the lens of independence, not their independence through the lens of objectivity.</p> <p>We would like to stress one potential adverse consequence of having too rigid a set of rules on external expert’s objectivity/independence.</p> <p>Sustainability reporting and sustainability assurance are still at a very early stage in certain countries and practice is not yet fully established, neither for reporting nor for assurance.</p>

	<p>In Europe, entities have not applied the ESRs yet and auditors have not yet provided assurance on the sustainability reports of their clients prepared in compliance with the ESRs. In addition, experts are scarce.</p> <p>The objective at this stage, in the public interest, should be to raise the quality of the sustainability information provided to the Public. If the assurance providers are not able to use experts to better understand the issues, to better judge their reliability, and their possibilities of improvements, then they will have no choice but to disclaim and the quality of the information will degrade significantly compared to what it would be if they had been able to use external experts.</p> <p>The ED would be even more detrimental to SMPs because they will have less or no internal experts “in house” when larger firms will have at least some of those experts “in house”.</p> <p>In conclusion, we believe that there is a healthy balance to be found between the improvement of the quality of the entity’s information through the use of experts which are definitely objective but not independent “by regulatory creep” and the risk of slowing down the improvement of the quality of the entity’s information by blocking the use of experts through too rigid a set of rules.</p>
<p><b>CPA Australia</b></p>	<p>The reporting and assurance of sustainability related information is undoubtedly of tremendous global importance and interest. While this has prompted the International Ethics Standards Board for Accountants (IESBA) to develop revised standards for professional accountants (and new standards for sustainability assurance practitioners) with respect to the use of external experts, the impact and implications for professional accountants are more far reaching than simply sustainability reporting and assurance.</p> <p>CPA Australia makes the following observations and recommendations about the Exposure Draft: Using the Work of an External Expert (ED). Our responses to the requests for specific and general comments are included in Appendix 1 to this letter. Appendix 2 includes suggested potential wording revisions and additions.</p> <p>The proposed revisions contained in the ED have added more than ten pages to Parts 2 and 3, adding to what is an already very lengthy Code of Ethics for Professional Accountants (the Code). Many of our members often advise us that the Code is challenging and impractical to understand and use, due to its length and detail. Moreover, for the same reasons, it is becoming increasingly difficult for those organisations (many of them Professional Accountancy Organisations (PAOs)) that are responsible for monitoring and enforcing the Code, to efficiently fulfil their monitoring and enforcement obligations. CPA Australia recommends that the IESBA looks at alternatives to merely adding pages to the Code when a new topic or area of interest arises, especially when the proposed revisions are essentially clarifying and providing guidance on matters that are ostensibly already covered by the Code, as is the case with this ED.</p>

A consequence of the Code being so lengthy (and becoming increasingly challenging to understand and use) is that professionals, other than accountancy professionals, will not be able to readily understand, interpret and implement the provisions and requirements of the proposed revisions to the use of an expert provisions and the proposed new Part 5. Even professional accountants, who have applied the Code for many years and have experienced its exponential growth, are finding it increasingly difficult to understand and apply. Arguably, it is unlikely that these other professionals (i.e., non professional accountants) at whom Part 5 is targeted will readily embrace and adopt the Part 5 provisions, unless it is mandated for use in their jurisdiction. As such, it is questionable that the IESBA will successfully achieve its objective of producing a profession-agnostic standard that is used universally by all professionals. However, if the standards are being developed on the basis that governments and regulators will mandate the use of Part 5 in their jurisdictions, it is incumbent on the IESBA, regulators and governments to develop and publish extensive guidance materials and information, written in more simplified language, for it to be successfully adopted and implemented, both by professional accountants and those from outside the accountancy profession.

In the Explanatory Memorandum of the ED, we note that the IESBA has used the term “heightened expectations” (of stakeholders) on four occasions. Once “in the context of an audit or other assurance engagement”, once “concerning the external expert and any supporting team” and twice “regarding the objectivity of an external expert whose work is used in an audit or other assurance engagement”. We note that this term was also used in explaining the reasons for having different independence requirements for audits of public interest entities, vis-a-vis those entities which are not public interest entities. The regular use of this term can be confusing for readers and others using the standards, in terms of being able to clearly distinguish between the relative importance of different actions, and the reasons for these differences.

Paragraph 15 of the Explanatory Memorandum states that internal experts would not be objective. It is not clear that this should be stated so definitively. One can envisage situations, with appropriate safeguards in place, where internal experts can appropriately exercise objectivity in their decision making and work. Moreover, the IESBA’s assertion that someone working within an organisation (i.e., being “internal”) cannot be objective in the work they undertake would effectively render all professional accountants in business in breach of the Code.

Additionally, we note that in the Explanatory Memorandum (paragraph 18) reference is made to fields other than accounting, with the examples cited being valuation and climate change. These two examples are activities where aspects of the work being undertaken may clearly be defined as accounting. It may be best for the IESBA to consider expressing this discussion along the lines that the engagement of experts is across a very broad range of topics, rather than saying that it is in fields other than accounting.

		<p>The IESBA notes that it will consider whether to develop appropriate transitional provisions in recognition that there may be limitations on the availability of experts in certain jurisdictions. CPA Australia supports such consideration, and strongly recommends that the IESBA refrains from making further revisions to its proposed relevant standards, and sections of the Code that are affected by these EDs, during the transitional period.</p> <p>The description of the IESBA's reasoning in response to stakeholder feedback about the scalability of the standard, relating to the principle of objectivity, is unclear. Paragraph 84 of the Explanatory Memorandum implies that the need to be independent/independence requirements do not concern ethical behaviour. That is, while objectivity concerns ethical behaviour, independence does not. That is an unusual assertion for the IESBA to make. Additionally, the paragraph that follows (paragraph 85) states that “scalability is already built into the objectivity approach set out in the proposed new Section 390.” It is not clear how this is the case, especially as proposed paragraph R390.8 is written as a requirement that obliges the professional accountant to seek “any” information across a number of factors.</p>
	<p><b>CPA Canada PTC</b></p>	<p>We commend the IESBA for its efforts, consistent with its commitments to evolve the Code, in developing an ethical framework, to guide Professional Accountants (PA) in public practice and in business, and Sustainability Assurance Practitioners (SAP), respectively, in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) for the PA or SAP to use the expert's work for the intended purpose. We are generally supportive of the proposed principles-based approach and appreciate that the IESBA consulted with key stakeholders in 2023 through a series of global roundtables to identify how best to formulate the proposed ethical framework to guide PAs and SAPs in relation to using the work of external experts.</p> <p>In preparing this response, the PTC sought the input of numerous stakeholders to effectively respond to the Exposure Draft. Feedback from these stakeholders revealed a general theme, that they agreed with the overall approach by IESBA to develop provisions that guide PAs and SAPs in applying the conceptual framework when using the work of an external expert.</p> <p>Notwithstanding our overall support for these proposals and our responses to your specific questions where we have recommended clarification or additional guidance to encourage consistency in the interpretation and application of the proposals and to improve enforceability, we encourage the IESBA to also consider our comments below related to the consultation process more broadly.</p> <p>Comment periods for IESBA Exposure Drafts</p> <p>As outlined in our previous communications with the IESBA, the PTC would like to reemphasize that an approximate 90-day comment period is highly challenging, especially in a multi-jurisdictional country such as Canada. The challenge of responding within a relatively short time frame is even more acute in certain circumstances such as the IESBA's concurrent release of the International Ethics Standards for Sustainability Assurance Exposure Draft, which proposes to significantly expand the Code and requires considerable coordination of</p>

		<p>outreach.</p> <p>As the IESBA continues its important work in encouraging and promoting global adoption of the Code, we recommend it consider whether longer public consultation periods would result in more comprehensive and considered input and lead to a more rigorous standard-setting process in the public interest. This is particularly important in jurisdictions such as Canada where the proposals must be considered in the context of local laws and regulation and may require translation for public exposure. We are concerned that an approximate 90-day comment period does not allow sufficient time to coordinate and prioritize the resources required for robust consultation in all jurisdictions and request again, that the IESBA increase the length of comment periods going forward.</p> <p>Webinars and other resources related to IESBA Exposure Drafts</p> <p>Our committees find the IESBA's webinars to be extremely helpful in understanding IESBA's process in developing its proposals in the public interest, as well as the substance and implications of the proposals to the Code itself. We encourage the IESBA to continue announcing webinar dates with the release of the relevant exposure draft. This greatly assists our committees in understanding the proposals and providing feedback to our consultation processes.</p>
	<p><b>Global Accounting Alliance</b></p>	<p>The GAA's members include the following professional accountancy bodies: <input type="checkbox"/> Association of International Certified Professional Accountants <input type="checkbox"/> Chartered Accountants Australia and New Zealand <input type="checkbox"/> Chartered Accountants Ireland <input type="checkbox"/> Chartered Professional Accountants of Canada <input type="checkbox"/> Hong Kong Institute of Certified Public Accountants <input type="checkbox"/> Institut der Wirtschaftsprüfer in Deutschland e.V. <input type="checkbox"/> Institute of Chartered Accountants in England and Wales <input type="checkbox"/> Institute of Chartered Accountants of Scotland <input type="checkbox"/> Japanese Institute of Certified Public Accountants <input type="checkbox"/> South African Institute of Chartered Accountants</p> <p>Although the GAA believes it would not be appropriate to duplicate its members' input into the IESBA's request for comments, I would like to raise a number of specific issues, which all the GAA member institutes agree should be considered by the IESBA:</p> <ol style="list-style-type: none"> <li>1. The GAA acknowledges measures in the development of profession-agnostic standards and guidance as a necessary and commendable response to market needs and expectations, however, it urges the IESBA to remain cognizant of the imperative for ensuring the standards it issues meet the characteristics of the Public Interest Framework in order to protect the public interest and maintain public trust in its standards as they evolve to meet these new demands. The International Code of Ethics for Professional Accountants (the Code), as it operates in many jurisdictions, functions in a co-regulatory environment directed specifically at professional accountants in public practice (PAPPs) and includes established requirements around internal performance monitoring and quality management, practice and engagement inspection/ review, and disciplinary processes. As far as non-PA professional sustainability assurance practitioners are concerned, the absence of either a similar professional body or regulatory agency providing such requirements may give the public the impression that those providers are subject to the same co-regulatory environment as PAs or even that those providers are PAs, when that may not be the case. This challenge calls into question whether the timelines for addressing identified needs without sacrificing quality,</li> </ol>

implementability, enforceability, and consistent and global application characteristics of the Public Interest Framework will in fact be met.

2. GAA members have cited concerns about implementation challenges. These include the likely absence of a consistent understanding amongst sustainability assurance practitioners, not familiar with or with no previous experience of the Code, of both the technical language and underlying principles contained in proposed Sections 390 and 5390. I therefore urge the IESBA to reconsider the wording and terminology with an aim towards simplification, including the use of more plain language (a matter pertinent to understandability and, of course, subsequent translation), and to achieve appropriate alignment with ISSA 5000.

3. The GAA members note that guidance on evaluating a potential expert's objectivity is already well established and set out in the IAASB's audit and assurance standards, ISA 620 and ISAE 3000, and the proposed ISSA 5000. Given the profession's familiarity with this guidance, the GAA members would strongly urge the IESBA to ensure that any new provisions in the Code do not contradict it; to ensure that both PAs and sustainability assurance practitioners (SAPs) apply a consistent approach.

4. Further concerns the GAA members have relate to the current state of market development for the provision of sustainability assurance services and the nature of the services themselves. The GAA members note that sustainability-related expertise covers a wide range of subject matter and, in a number of areas, is nascent in its development. There is thus concern that the requirements imposed upon external experts in paragraphs R390.8 through R390.11 and part 5 equivalent as drafted might unduly limit the availability of external experts for PAs and SAPs and impede development of this important market. If the external expert is willing to comply with these requirements, the GAA believes this will drive up the cost of securing external experts.

5. Specifically, in relation to the objectivity element of the Competence, Capabilities and Objectivity (CCO) evaluation and the apparent 'binary' character of the intended test itself, GAA members' understanding of the market for relevant expertise in sustainability suggests that the proposed approach seems unduly inflexible. I therefore would urge a greater emphasis on the IESBA Code's well understood threats and safeguards mechanisms as well as the sliding scale approach adopted in ISA 620 that would enable suitable engagement with external experts while protecting overall independence. As such, the requirements in R390.8 through R390.11 and the R390.12 prohibition may in fact impede desired market development by creating a reluctance amongst competent external experts to work with professional accountants (and others who use the Code), whilst at the same time potentially driving up assurance costs through the internalizing of expertise within firms. Paragraph 390.12(b) and part 5 equivalence should be aligned to R390.6, which clarifies that the external expert has to have the necessary CCO for the accountant's purpose, not the absolute.

6. Relatedly, R390.12 operates in the context of the list of relationships set out in R390.8. These are, in themselves, common sense; nevertheless, in the views of GAA members, these may again further impede market development through either dissuading use of or development in particular branches of emerging sustainability expertise. The blanket nature of such a list without regard to different degrees of threat to objectivity and an apparent absence of reference to effects over time pose, in GAA members' views, significant practical challenges.

		<p>7. Separately from our concerns about profession-agnostic standards, I would urge, on behalf of the GAA members, some greater attention to consistency and harmonization, especially with respect to definitions in related standards, such as those required in ISAE 3000, ISA 620, and potentially ISSA 5000.</p> <p>Finally, in relation to developments in these critical areas of disclosure and broader economic and market reform, I would urge, on behalf of the GAA members, improved coordination, and communication between key regulatory and standard-setting bodies to ensure that their respective projects align to terms of their scope, where applicable, terminology and timeline. The accounting profession is a key stakeholder in these developments, both impacted by and playing a key role in successful implementation.</p> <p>As a concluding matter of note, the GAA acknowledges with approval the reference made in the EM to transitional provisions safeguarding CCO amongst practitioners in an emerging market for sustainability experts and urges the IESBA to also consider deferring the approval of the updated Code until all issues identified in the consultation process are comprehensively reviewed and resolved.</p>
	<p><b>Hong Kong Institute of CPAs</b></p>	<p>Overall, we support the IESBA's approach to addressing the evaluation of an external expert's competency, capabilities and objectivities (CCO evaluation) by creating new requirements in Sections 290 and 390 in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) and new Section 5390 in the proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (ED-IESSA). These proposed new Sections 290, 390 and 5390 establish an ethical framework to guide professional accountants (PAs) in public practice and in business, and sustainability assurance practitioners (SAPs), respectively, in the CCO evaluation for the PAs or SAPs to use the expert's work for the intended purposes.</p> <p>We agree with the IESBA's perspective on the matter in paragraph 5390.12 of the ED-IESSA, which states that utilizing the work of an external expert who has not successfully passed the CCO evaluation is prohibited. Moreover, we share IESBA's viewpoint that the limited availability of experts in the sustainability market poses challenges during implementation.</p> <p>We believe that the concern regarding the limited availability of experts in the sustainability market can only be resolved gradually as the market capacity adjusts to meet the demand. Therefore, we support the IESBA's proposed approach outlined in paragraph 71 of the Explanatory Memorandum, which entails developing appropriate transitional provisions when finalizing the provisions related to the CCO evaluation. These transitional provisions would help facilitate a smooth transition and mitigate any immediate challenges arising from the scarcity of sustainability experts.</p> <p>Furthermore, the proposed requirements in paragraph 390.12 of the Code and paragraph 5390.12 of the ED-IESSA would have a far</p>

	<p>reaching impact given that the extant International Standard on Auditing (ISA) 620, Using the Work of an Auditor’s Expert issued by the International Auditing and Assurance Standards Board (IAASB) does not have a similar requirement. Though ISA 620.9 requires the auditor to evaluate whether the auditor’s expert has the necessary CCO for the auditor’s purpose, it is not explicit on whether the auditor can use the work of an auditor’s expert if that expert does not satisfactorily pass the CCO evaluation. Therefore, if the proposed requirements are finalized as currently drafted, we would suggest that the IESBA co-ordinate with the IAASB to consider the impact on ISA 620 and the finalization of the proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements, as well as any subsequent sustainability or other assurance standard on the use of expert e.g. whether the same requirements for CCO apply to both reasonable and limited assurance engagements.</p>
<p><b>ICAEW</b></p>	<p><b>KEY POINTS</b></p> <p>ICAEW is supportive of IESBA’s efforts to ensure that any experts used by Professional Accountants and other Sustainability Assurance Practitioners are competent, capable and objective.</p> <p>We consider it important to ensure that international standards and guidance are aligned wherever possible. As such, the provisions relating to experts should cover both internal and external experts to align with the approach used in ISA 620 and ISSA 5000.</p> <p>We consider that the definition of “expertise” used in the Glossary, should include reference to “experience” as one of the criteria for how expertise should be assessed.</p> <p>We have concerns about the apparent overly binary nature of the assessment of a potential expert’s competence, capability and objectivity. We would prefer explicit reference to a more nuanced approach and the inclusion of an “exceptional circumstances” exemption.</p> <p>We have reservations about the extent of disclosures required of potential experts and the period to which such disclosures relate. We are concerned that the impact of such disclosures will require implementation of sophisticated quality management systems which may deter potential experts and smaller organisations from participating in the sustainability assurance market.</p> <p>General support for the proposals</p> <p>ICAEW recognises the heightened public interest in ensuring that sustainability related information is assured to the highest standards and the increasingly important role played by experts in this regard. We recognise that this is a particular issue for mid-tier and smaller practices, that may have limited in-house expertise. We are keen to ensure that any provisions relating to audit and assurance engagements promote the development of a flourishing and competitive market for a broad range of practitioners. As such, and as a general principle, we are supportive of IESBA’s attempts to ensure that any experts used by Professional Accountants and other Sustainability Assurance Practitioners are competent, capable and objective. However, sustainability assurance is a complex and emerging specialism. Whilst the use of experts by Professional Accountants and other Sustainability Assurance Practitioners helps improve the quality of assurance, the pool of available experts in a new specialism is not unlimited. We consider it important, therefore,</p>

that the proposals set out by IESBA should not create unnecessary impediments to the use of experts. Such impediments might impact negatively on the quality of sustainability assurance generally, which is not conducive to the public interest.

Importance of ensuring that international standards and guidance are aligned

We consider it most important to ensure alignment with international standards and guidance wherever possible. In particular, we consider that any potential conflicts between the IESBA Code and ISA 620 should be avoided, in order to avoid confusion for Professional Accountants, and potentially, the operation of a different standard in practice for Sustainability Assurance Practitioners who are not Professional Accountants. Whilst we note the reasons set out by IESBA in the Explanatory Memorandum accompanying the Exposure Draft as to why these proposals are intended to refer only to use of external experts. However, we note that the approach taken by the IAASB in ISA 620 and proposed ISSA 5000 is to refer to both internal and external experts, and we consider that there is merit in adopting this latter approach.

Definition of Expertise

We have misgivings about the proposed definition of “expertise” as set out in the Exposure Draft glossary. As noted above, sustainability is an emerging and complex specialism. There may be areas in this specialism which are not yet the subject of defined academic curricula or qualification. Therefore, we consider that it would be prudent to include “experience”, as well as “knowledge and skills”, as one of the categories that may contribute to the “expertise” possessed by a potential expert. We note that paragraph 6 (b) of the current version of ISA 620 (revised) sets out the definition of expertise thus: “Expertise-skills, knowledge and experience in a particular field.” We would encourage IESBA to adopt this definition.

Concerns about the apparent binary nature of the prohibition

We have concerns in relation to those provisions of the Exposure Draft which create a prohibition on the use of a potential expert, in circumstances where that individual is deemed to have failed an initial assessment of competence, capability and objectivity. As a general principle, we agree that any expert who is not competent, capable or objective should not be instructed by a Professional Accountant or Sustainability Assurance Practitioner; and that it would not be in the public interest to do so. However, we consider that the proposed new paragraphs 290.7(b); 390.12 (b); and R5390.12 should make it explicitly clear that the assessment of an expert’s competence, capability and objective is not necessarily an initial or one-off binary assessment. Further qualifications or experience might be obtained, and measures could be put in place to enhance capability, for example.

An assessment of a potential expert’s competence, capability and objectivity necessarily requires the application of judgement by the Professional Accountant or Sustainability Assurance Practitioner. Therefore, we consider that a more explicit and nuanced threats and safeguards approach would be more beneficial in terms of both practical application by the profession, and in the public interest.

Under a nuanced approach, where concerns about a proposed expert’s competence, capability and objectivity are identified on initial

		<p>assessment, it would be permissible for the Professional Accountant or Sustainability Assurance Practitioner to put in place mitigations that would apply appropriate safeguards (including by instructing a combination of experts) that would enable the output of an expert’s work (in whole or in part) to be used. We consider that such an approach would satisfy the heightened public expectations concerning the reliability of sustainability assurance information. Indeed, ICAEW considers that such a nuanced approach would ensure greater alignment with the provisions of ISA 620 and help promote consistency by the profession in the assessment of a potential expert’s competence, capability and objectivity.</p> <p>We also consider that there is merit in considering the inclusion of an “exceptional circumstances” provision, to allow for circumstances in which there is only a very limited pool of potential experts available and where potential concerns about objectivity may be addressed by putting mitigations in place.</p> <p>Disclosures to be made by potential experts</p> <p>We also have reservations about the extent of information that a potential expert may be required to disclose (including that related to his or her family) as part of the exercise to assess competence, capability and objectivity. We are not convinced that the provisions of the proposed new R290.6 A2; R390.8; and R5390.8 are fully workable in practice. We query whether the period covered by these required disclosures is proportionate. Rather than covering the period referred to in the report and the engagement, it might be more proportionate to confine disclosures to the period covered by the report only.</p> <p>We consider that further application material would be helpful to assist Professional Accountants and other Sustainability Assurance Practitioners to gauge the effect of any positive disclosures on the objectivity of a potential expert, and to make clear the expectations required of instructing firms.</p> <p>More holistically, however, we are concerned that the combined effect of extensive disclosures, and the period to which these disclosures must apply, might have the unintended consequence of reducing the pool of potential experts available to be instructed. We note that firms wishing to instruct potential experts in relation to sustainability assurance matters will necessarily have to put in place sophisticated quality management systems, to ensure that such extensive disclosure requirements are fully complied with. Implementing such systems will necessarily have a cost and might potentially create a barrier to smaller SME/SMPs wishing to enter the sustainability assurance market.</p> <p>In relation to the heightened public sensitivity pertaining to audits and assurance engagement, we consider there is merit including application material counselling against “opinion shopping” by the Professional Accountant or other Sustainability Assurance Practitioner.</p>
<p><b>ICAS</b></p>		<p>We agree with the International Ethics Standards Board for Accountants (IESBA) that using the work of an external expert might create threats to a Professional Accountant’s (PA’s) or Sustainability Assurance Practitioner’s (SAP’s) compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care, and we welcome that it is proposed</p>

that a principles-based approach be adopted.

We note that paragraph 9 of the Explanatory Memorandum then goes on to say: “The proposed new sections 390, 290 and 5390, therefore establish an ethical framework to guide PAs in public practice and in business, and SAPs, respectively, in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) for the PA or SAP to use the expert’s work for the intended purposes.”

We further note that paragraph 390.7 A1 states that for audit and assurance engagements (with equivalent wording in paragraph 5390.7 A1 for SAPs): “Stakeholders have heightened expectations regarding the objectivity of an external expert whose work is used in an audit or other assurance engagement. Therefore, paragraphs R390.8 to R390.11 set out further actions in evaluating the objectivity of an external expert in an audit or other assurance engagement pursuant to paragraph R390.6.”

We agree conceptually with the proposed CCO approach, and we support that the evaluation of external experts in an audit or assurance engagement be performed through the lens of objectivity; however, we feel that the proposed provisions stray into a primary focus on independence rather than objectivity in Sections 390 and 5390. Whilst paragraphs 390.7 A1 (and 5390.7 A1) say the focus is on objectivity, the provisions which follow in paragraphs R390.8 to 390.11 A2 (and paragraphs R5390.8 to 5390.11 A2) effectively appear to require a PA/SAP to apply an independence test. We have concerns that, at these early stages for sustainability reporting and assurance, where there is going to be increasing use of experts in other areas, this focus on ‘independence’ might reduce the marketplace of experts available to work with PAs and SAPs because they will be unable, or unwilling, to meet all the ‘independence’ requirements. If there is no legal requirement for them to do so, why would they sign up to providing all the information required in paragraphs R390.8 to 390.11 A2 (and R5390.8 to 5390.11 A2)? We believe there is instead a need to focus on professional judgement being appropriately applied to assess objectivity rather than strict adherence to independence rules per se.

We also believe that in relation to sustainability-related assurance services there is a need to allow for a transition period from where we currently are to where we want to be in relation to the applicable ethics framework. For now, given the less mature state of the sustainability assurance market there should be a focus on objectivity rather than focusing on detailed independence requirements that need to be signed off.

We also believe that ongoing co-ordination and discussions between IESBA and the International Auditing and Assurance Standards

		<p>Board (IAASB) are essential to ensure appropriate alignment between International Standard on Sustainability Assurance (ISSA) 5000 and the proposed revisions to the IESBA Code of Ethics for Professional Accountants (including International Independence Standards).</p>
	<p><b>IDW</b></p>	<p>Key Concerns</p> <p>The need for closer coordination with the IAASB</p> <p>According to the EM, IESBA is progressing this project in tandem with its own Sustainability Project but intends to finalize this project ahead of the IAASB considering where specific revisions to ISAs and ISSA 5000 may be appropriate.</p> <p>Our review of the ED indicates that further coordination is needed to ensure that IESBA does not overstep its remit vs. the IAASB on work effort requirements in relation to using the work of experts. Further coordination also applies to the definitions, which will also impact the work of the IAASB. Unless further coordination is undertaken at an earlier stage on fundamental issues on these types of projects that affect both boards, either the expectation that the IAASB will adopt changes resulting from change to the IESBA Code will undermine the independence of the IAASB, or the IAASB will need to “go its own way” independent of what IESBA does, which would lead to inconsistencies between the pronouncements of the two boards and is not in the public interest.</p> <p>Limitation of the scope of ED to external experts</p> <p>In the IDW’s view, for the reasons outlined in para. 7 of the EM, this project should address the use of all experts (i.e., irrespective of whether they are employed or engaged by the reporting organization or the professional services firm).</p> <p>We do not support IESBA’s proposal in para. 17 of the EM that the scope of the provisions’ focus be solely on “external experts”. We had made similar comments to the IAASB in relation to ED ISSA 5000 (<a href="https://www.idw.de/IDW/Medien/IDW-Schreiben/2023/IDW-ISSA-5000-Schreiben-231201.pdf">https://www.idw.de/IDW/Medien/IDW-Schreiben/2023/IDW-ISSA-5000-Schreiben-231201.pdf</a>) and understand that the IAASB’s current thinking is now to address all experts.</p> <p>Limiting the scope as proposed is misaligned with the approach taken by the IAASB (in its existing standards and in the most recent working draft of ISSA 5000 – post March 2024), which does not distinguish between auditors/practitioners’ experts that are internal and external because, except for matters relating to independence vs. objectivity, at a principles based level the requirements for using both need to be the same, even if how those requirements are fulfilled may be different. The requirements at a principles-based level need to be the same because the professional accountant/ auditor/ practitioner using the expert has a responsibility to determine that the expert in question has the appropriate competence and capabilities needed to fulfill the specific purposes to which the experts work is being used. In the case of an internal expert, the accountant/ auditor/ practitioner may be able to place some – but not sole – reliance upon a system of quality management within an enterprise or firm. As recognised by ISA 620. A13, an auditor may be able to depend on the firm’s system of quality management and related policies and procedures in respect of an internal expert’s competence and capabilities through recruitment and training programs as well as that expert’s objectivity. However, since the Code is standard neutral and does not require</p>

PAPPs comply with ISQM 1 and other enterprises (i.e., preparers and “other” SAPs) may not have such quality management in place, it is incumbent upon the Code to cover internal as well as external experts.

For example, paragraph 9 of ISA 620 requires the auditor to evaluate whether the auditor’s expert has the necessary competence and capabilities for the auditor’s purposes, but the application material in paragraphs A11 to A13 explicitly recognizes the role of the firm’s system of quality management and paragraph A13 recognizes that auditors may rely upon firm quality management for certain aspects of this evaluation.

The need for a sliding scale approach and clarification of how the Code’s threats and safeguards approach might apply

We note that ISA 620.08 introduces a sliding scale approach to an auditor’s use of the work of an expert in recognising that the nature, timing and extent of the auditor’s procedures will vary depending on the various factors listed in that paragraph, including a consideration of the significance of that expert’s work in the context of the audit. As we explain in responding to q.3, we believe it necessary also for IESBA to clarify the factors a PA ought to consider in evaluating whether in the individual circumstances the (level of) the expert’s competence, capabilities, and objectivity meet that necessary for the PA’s purposes – i.e., this should also include a sliding scale approach.

We are also concerned that the proposed changes to the IESBA Code fail to address how a threats and safeguards approach might apply. The proposals appear to disregard the fact that a PA who intends to use work undertaken by an expert cannot simply use the work of that expert “blindly” (i.e., the expert’s competence, capabilities, and objectivity alone will not determine the suitability of use of the expert’s work). For example, ISA 620.10 has an inbuilt safeguard, since it requires an auditor to obtain a sufficient understanding of the field of expertise of the auditor’s expert to enable the auditor to determine the nature, scope and objectives of that expert’s work for the auditor’s purposes and evaluate the adequacy of that work for the auditor’s purposes – accompanied by a requirement to perform this evaluation in ISA 620.12 et seq. We suggest also IESBA specify how the Code’s threats and safeguards approach might apply and also acknowledge within the Code that a PA is required to obtain an understanding of the field of expertise and to evaluate the expert’s work.

Requirements incumbent on experts need to be practicable and not serve to reduce their availability

As IESBA is aware, the accounting profession is increasingly impacted by new fields of expertise being relevant to financial and other forms of corporate reporting and related assurance beyond the traditional skill sets of professional accountants. Thus, the need to involve experts in corporate reporting and related audit or assurance engagements continues to grow.

Clearly, to ensure high quality preparation and related audit or assurance of corporate reporting, it is in the public interest that PAs can, where necessary, draw on experts who possess the necessary competence and capabilities (and, where needed, objectivity).

We are concerned that requiring PAs to demand that experts provide the comprehensive information proposed will, in practice, limit the

availability of experts. In this context, we strongly believe that the complexities associated with information stemming from within a reporting entity's value chain also need more consideration.

In responding to q. 2, we outline our concerns as well as some possible changes that might, in part, ease this situation.

#### Encroaching Upon the Remit of the IAASB

Although we recognize that Part 3 also covers engagements not currently covered by IAASB engagement standards, there seems to be considerable material in relating to the consideration of the competence, capabilities, and objectivity of experts being proposed in the ED for Part 3 and Section 5390 that is already being covered by IAASB pronouncements.

With respect to the remits of the respective boards, IESBA covers matters related to the five fundamental principles of ethics and to independence (which represents a means of supporting the fundamental principle of objectivity). In contrast, the education standards originally issued by the IAESB cover the basic competencies and capabilities expected of all professional accountants generally and of audit engagement partners generally, whereas IESBA covers competence and capabilities of professional accountants in their particular roles or for particular engagements. In comparison the IAASB focuses upon the due care aspect of practitioners when they perform audits, and other assurance and related services engagements (including the needed quality management to fulfill such due care) – that is, the IAASB standards focus on what practitioners need to do to appropriately exercise due care when performing such engagements (and on the quality management that firms need to establish to enable practitioners to exercise such due care). To this effect, the IAASB sets “work effort” requirements for practitioners to appropriately exercise due care, such as the work effort practitioners need to undertake to decide whether experts whose work practitioners intend to use have the competence, capabilities and objectivity needed for the practitioners' purposes.

The question is whether it is within the remit of IESBA to set work effort requirements (i.e. to set forth requirements for exercising due care) generally for professional accountants (and non-accountant practitioners) when these seek to use the work of experts, or whether IESBA's remit stops at determining what the requirements for competence, capabilities and objectivity are. In any case, we do not believe that IESBA currently has the standard setting infrastructure in place (in particular, CUSP conventions with, among other matters, conventions on the use of verbs to signify work effort and documentation requirements) to systematically set forth differentiated work effort requirements for different types of activities and engagements. We note, for example, that Section R390 does not distinguish what practitioners need to do depending upon whether an engagement is an assurance engagement (including reasonable vs. limited assurance), an agreed-upon procedures engagement, a compilation engagement, or another engagement not covered by the IAASB (such as a consulting engagement).

In any case, IESBA has recognized in R390.5 and R5390.5 that there is some overlap with IAASB standards. For this reason, the proviso in paragraph R390.5 and R5390.5 “to the extent not otherwise addressed by law, regulation or other professional standards” also needs

		<p>to apply to R390.6 and R5390.6 so that IESBA does not conflict with relevant IAASB standards regarding work effort for considering competence, capabilities and objectivity.</p> <p>Reputational consequences of potential inherent duplication of effort</p> <p>In paragraph 65 of the EM, IESBA recognizes that it may not be practicable to wait until the CCO evaluation has been completed before engaging the external expert as there may be unavoidable constraints, such as a tight window within which an external expert can complete the work, time needed for the external expert to secure the information requested for the CCO evaluation, etc. If, however, the CCO evaluation ultimately results in non-use of an expert’s work, the costs (which could be considerable) will have been incurred and there may be insufficient time to have a second external expert perform work – all of which may reflect badly on both the individual PA and the IESBA Code.</p> <p>We note the IESBA’s deliberations outlined in the EM (paragraphs 68-71) and the possibility of developing transitional provisions and would urge IESBA to do so as a matter of urgency rather than later. We are also not convinced by the contention that ethical and performance issues can be separated in any decision as to whether safeguards can be used.</p> <p>In our opinion, this is a key matter demanding a pragmatic solution.</p>
	<p><b>Institute of Public Accountants Australia</b></p>	<p>The IPA Group is generally supportive of the approach taken by IESBA to update the IESBA Code of Ethics for Professional Accountants (including International Independence Standards). Our comments on the Request for Specific Comments are in the Attachment.</p>
	<p><b>Institute of Singapore Chartered Accountants</b></p>	<p>We are supportive of having an ethical framework to guide professional accountants (PAs) and sustainability assurance practitioners (SAPs) in evaluating whether an external expert has the necessary competence, capabilities and objectivity in order for PAs and SAPs to use their work for the intended purposes.</p>
	<p><b>International Federation of Accountants</b></p>	<p>IFAC is supportive of IESBA’s aim to develop requirements and guidance in this area and we appreciate the time and resources the Board have put into this important project. The use of experts can have a beneficial impact on the quality of reporting and assurance, so requirements and guidance in this area are extremely important to both reporting entities and practitioners. The use of external experts is especially important for SMPs as they will often have less in-house expertise to draw on in specialist areas. This makes it essential that requirements in this area are designed appropriately.</p> <p>We raise several significant challenges with the proposals made in the exposure draft (ED). Some of the requirements and guidance proposed may discourage the use of experts. Where requirements are too onerous or create barriers to the use of experts, this may have</p>

		<p>a detrimental impact on the quality of engagements, which would not be in the public interest.</p> <p>The evaluation of competence, capability and objectivity is subjective with no “bright line” delineation, and there are cases where just a perceived challenge to objectivity would result in an inability to use the work of an expert. Any prohibition in this area requires a degree of inbuilt flexibility that allows relevant facts and circumstances to be considered. The wording of the current proposals in this respect will be especially problematic for SMPs and in jurisdictions where there are few experts in particular fields. Requirements around information that needs to be collected from experts before their work can be used will, in many cases, be excessive and disproportionate giving rise to additional administrative costs without corresponding benefits.</p> <p>There is need for continued efforts in relation to both the consistency in approach and terminology between the IESBA and the IAASB, and we note there are some challenges with regards to both. The exclusion of internal experts from the scope of the proposals creates inconsistencies with the recent ISSA 5000 ED and guidance in auditing standards such as ISA 620. This may also create challenges for compliance with the Code for PAIBs, PAPPs or SAPs that use internal experts, as there is no guidance on assessing relevant competence and capability for the specific activity being undertaken that they can draw upon. We also urge the two Boards to consult more with one another and align the timing of finalization of any revisions to avoid a situation where the proposals of one Board become a “fait accompli” the other Board is left to address.</p> <p>We have outlined our detailed responses to the questions (in bold) below.</p>
	<p><b>Korean Institute of Certified Public Accountants</b></p>	<p>There is a growing need for a PA to use the work of an external expert in today’s environment which is characterized by rapid change/evolution of technologies and broader scope of engagements for a PA including sustainability assurance engagement. In this light, the KIPCA agrees with the need to establish the relevant ethics principles to address them and generally supports the proposed revisions.</p>
	<p><b>NYSSCPA</b></p>	<p>In November 2022, the Public Interest Oversight Board (PIOB), which monitors the activities of the International Ethics Standard Board for Accountants (IESBA) and the International Accounting and Auditing Standards Board (IAASB) and the public interest responsiveness of their standards,<sup>1</sup> issued a report to the IESBA indicating that external experts “are not subject to independence requirements”<sup>2</sup> of the International Code of Ethics for Professional Accountants (including International Independence Standards) (“the Code”). The PIOB reiterated that numerous stakeholders want these external experts to be subject to the Code, particularly in sustainability reporting and assurance.<sup>3</sup></p> <p>In January 2024, the IESBA issued an Exposure Draft (ED) titled “Using the Work of an External Expert” to address the PIOB’s concerns. Along with competence and capabilities, this ED uses the concept of “objectivity,” rather than “independence” in setting the standard to be met by these external experts. We disagree with the use of this objectivity concept because it creates two different standards: 1) an objectivity standard for external experts who are nonaccounting professionals and 2) the independence standard of the Code for</p>

		<p>professional accountants.</p> <p>Our rationale is that objectivity implies a lower standard, which may affect the ability of the audit team to properly assess and disclose conflicts of interests and the existence of related parties of the external expert, and accordingly would not serve the public interest. Therefore, we recommend the use of the well understood and generally accepted independence standard of the Code in evaluating an external expert.</p> <p>We acknowledge that our recommendation goes beyond current U.S and international standards<sup>4</sup> which do not require an auditor's expert or specialist to be independent. We believe that elevating the criteria to evaluate an external expert to meet our independence standard has the added benefit for them to act with integrity and exercise professional skepticism in addition to being objective. Accordingly, we also recommend that the IESBA coordinate with the IAASB, the AICPA and the PCAOB to require external experts to comply with our independence standard of the Code.</p>
	<p><b>Pennsylvania Institute of CPAs</b></p>	<p>Overall, the committee supports the IESBA's efforts to ensure that public accountants (PAs) use external experts who are objective and competent and agrees with the decision not to require all external experts to be independent. However, we believe that the proposed Section 5390 on using the work of an external expert for sustainability assurance providers should be considered holistically in connection with the Proposed International Ethics Standards for Sustainability Assurance. This proposed section cannot be properly evaluated without a comprehensive understanding of the performance standards that these practitioners will use, and we vehemently disagree with permitting the use of the standards promulgated by the International Audit and Assurance Standards Board (IAASB) without appropriate training, licensing, and enforcement mechanisms similar to those of PAs. While we support strong ethics among all professionals, we believe further analysis should be done to</p> <p>ensure that any broadening of the Code to non-PAs includes a sufficiently rigorous standard-setting, and regulatory framework so as to not dilute its value.</p>
	<p><b>Royal Netherlands Institute of Chartered Accountants</b></p>	<p>We understand to note that with this ED, IESBA addresses Professional accountants (PA) and sustainability assurance practitioners (SAP) increasingly use the work of external experts in areas such as technology and sustainability. In this regard, we welcome IESBA's decision to address ethics implications of using experts in professional engagements.</p> <p>In addition to the response of Accountancy Europe we would like to add some comments. Like Accountancy Europe, we have strong concerns about the specific requirements proposed in the exposure draft. We believe that the current text of the exposure draft is insufficiently implementable.</p> <p>We also believe that the term 'scalability' in Accountancy Europe's response may not be the most appropriate word to be used, since that typically is used to describe how standards and the code are to be applied by SMPs and for services delivered to SMEs. We intend to</p>

		convey a different concept here.
	<b>WPK</b>	<p>WPK appreciates the IESBA's decision to address ethical issues, including independence, when using external experts, since we assume that there will be an increasing demand for public accountants to involve experts in their work, especially in areas like sustainability and technology. However, we would like to emphasize that the public accountant always has the ultimate responsibility for the engagement and service quality. We believe the draft and its explanation do not sufficiently acknowledge this.</p> <p>In general, it would be helpful if the IESBA and the IAASB use the same definitions and terms whenever possible in order to avoid confusion and to increase understanding and acceptance by public accountants and external experts.</p> <p>The requirements in the Code of Ethics should aim for high ethical standards without making it too difficult or costly for external experts to collaborate with public accountants.</p>
<b>Public Sector Organizations</b>		
56	<b>UNCTAD's Latin America Regional Alliance</b>	<p>On April 4, 2024 the fifteen jurisdictions that form UNCTAD's Latin America Regional Alliance (ARL) met virtually to establish a joint-response to the Exposure Draft on Use of External Experts. The following countries are members of the ARL:</p> <p>Country 1                  2 3 4                  Argentina Brazil Brazil Brazil                  5 Chile                  6 Colombia 7 Colombia 8 Colombia 9 Costa Rica 10 Costa Rica 11 El Salvador                  12 Dominican Republic                  13 Dominican Republic                  14 Dominican Republic</p> <p>Institution                  Argentinian Federation of Professional Bodies of Economic Sciences (FAPCE)</p>

	<p>Federal Council of Accounting of Brazil CBPS</p> <p>Securities Commission of Brazil Professional Body of Accountants of Chile</p> <p>Technical Council of Public Accountancy of Colombia Office of the General Accountant of Colombia National Institute of Public Accountants of Colombia</p> <p>Corporate Alliance for Development of Costa Rica Professional Body of Accountants of Costa Rica Institute of Public Accountants of El Salvador</p> <p>ECORED - Dominican Republic</p> <p>Ministry of Economy, Planning and Development of Dominican Republic</p> <p>Ministry of Environment of Dominican Republic</p> <p>15 Dominican Republic</p> <p>16 Dominican Republic</p> <p>17 Ecuador 18 Ecuador 19 Ecuador 20</p> <p>Guatemala</p> <p>21 Guatemala 22 Guatemala 23 Honduras 24 Mexico 25 Mexico 26 Panama 27 Panama 28 Paraguay 29 Paraguay 30</p> <p>Paraguay</p> <p>31 Peru 32 Peru</p> <p>Ministry of Industry, Trade and SMEs of Dominican Republic Nacional Business Council of Dominican Republic</p> <p>Professional Body of Accountants of Pichincha and Ecuador Ministry of Finance and Economy of Ecuador National Secretariat of Planning of Ecuador</p> <p>Center for Business Social Responsibility Action in Guatemala (CentraRSE)</p> <p>Professional Body of Accountants and Auditors of Guatemala Ministry of Economy of Guatemala</p> <p>Technical Board of Accounting and Auditing Standards of Honduras Mexican Financial Reporting Standards Board (CINIF) Mexican Institute of Public Accountants</p> <p>Superintendency of Securities of Panama</p>
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	<p><b>United States Government Accountability Office</b></p>	<p>We support the IESBA's efforts to revise its standards for using external experts, particularly with regard to sustainability assurance reporting. In our responses, we identify areas and make suggestions that we believe will enhance the proposed standard. We suggest the following:</p> <ul style="list-style-type: none"> <li>• Adding a requirement that the professional accountant request that the external expert provide information regarding any additional relationships or circumstances in relation to the entity where the expert is performing the work that may be relevant in considering the expert's objectivity.</li> <li>• Including the self-review and management participation threats in the proposed standard that would be relevant in situations where the external expert had a previous relationship with the entity.</li> </ul>
<p><b>Regulators and Oversight Authorities, Including MG members</b></p>		
	<p><b>ACRA</b></p>	<p>Overall, we believe the proposals in the Exposure Drafts align with the IESBA's objective to mitigate greenwashing and improve the quality of sustainability disclosures. These well-crafted proposals also address the key concerns of investors and other stakeholders.</p>
	<p><b>CEAOB</b></p>	<p>In examining the ED-Use of experts, the CEOB focused on the provisions for audit and sustainability assurance engagements. As a result, this letter might not identify all comments that would be needed on the provisions applicable to professional accountants (PA) when not performing such engagements.</p> <p>The CEOB consistently encourages IESBA to enhance the quality, clarity and enforceability of the Code, even though existing legal ethical rules or provisions in force at the national level in EU and EEA member states, which exist in some areas covered by the Code, will continue to supersede those of the Code.</p> <p>The CEOB continues to believe that the Code should be clear and enforceable and allow for engagements to be performed on a</p>

		<p>consistent basis. The Code should incorporate provisions required to ensure appropriate behaviour: this means that the IESBA should include clear ethical principles along with clear requirements, to promote appropriate ethical behaviour and outcomes.</p> <p>The CEAOB would like to express its support for the IESBA’s project to address ethics (including independence) provisions governing the use of external experts in an audit or assurance engagement. We agree with paragraph 290.2 that “Using the work of an external expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.” We suggest to add the second sentence of paragraph 8 of the Explanatory Memorandum (EM) to the Code as we believe the reasons (potential overreliance, lack of proper evaluation on the external expert’s work) should be explained in the Code itself to help the PA or sustainability assurance practitioner (SAP) understand the threats involved.</p> <p>We continue to appreciate close coordination between the IESBA and the IAASB to maximize alignment and interconnectivity between the proposals and the IAASB’s standards to the greatest extent possible in order to ensure global consistency in the use of the respective standards and facilitate their application.</p> <p>Unless specifically referenced we highlight the fact that our comments in relation to section 390 should also be considered by the IESBA when updating section 5390 of the ED-Use of experts.</p>
<p><b>IFIAR</b></p>		<ol style="list-style-type: none"> <li>1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for input on its Exposure Draft (ED) on Using the Work of an External Expert. As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, the IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.</li> <li>2. The IFIAR’s objectives are as follows:             <ul style="list-style-type: none"> <li>• Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.</li> <li>• Promoting collaboration and consistency in regulatory activity.</li> <li>• Initiating and leading dialogue with other policy-makers and organisations that have an interest in audit quality.</li> <li>• Forming common and consistent views or positions on matters of importance to its members, while taking into account the legal mandates and missions of individual members.</li> </ul> </li> <li>3. The comments we provide in this letter reflect the views expressed by several, but not necessarily all, of the members of the IFIAR. However, the comments are not intended to include or reflect, all of the views that might be provided by individual members on behalf of their respective organisation. The IFIAR Member jurisdictions currently have varying frameworks for sustainability disclosures</li> </ol>

	<p>and/or assurance, and views in this area likely will continue to evolve as requirements and expectations are clarified. The comments in this letter should be considered in that context.</p> <p>4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by the IFIAR.</p> <p>5. The IESBA Code of Ethics (the Code) is used by several, but not all of the members of the IFIAR. Moreover, a number of audit firms have voluntarily committed to complying with the Code. As a result, the IFIAR has an interest in enhancing the quality, clarity and enforceability of the Code, even though existing ethical rules or provisions in force at national level supersede those of the Code on certain aspects. On that note, the IESBA may want to consider the national level add-ons/revisions as input in respect of further enhancements to the Code.</p> <p>6. As audit regulators, we believe that the Code should be clear and enforceable and allow for engagements to be performed on a consistent basis. The Code should incorporate provisions required to ensure appropriate behaviour: this means, for the IESBA, to articulate clear ethical principles and supporting ethical provisions, along with clearly linked requirements, to promote appropriate ethical behaviours and outcomes.</p> <p>Overall comments</p> <p>7. We support the development of the standard on Using the Work of an External Expert given the increasing importance of the use of the work of external experts to the performance of high quality audit and sustainability assurance engagements.</p> <p>8. We also support that the provisions the IESBA are developing align with the IESBA's proposed sustainability reporting and assurance standard on the same timeline with close coordination. It is important for the IESBA to continue to engage with a wide range of stakeholders, especially sustainability assurance practitioners (SAPs) other than professional accountants (PAs) and regulators.</p> <p>9. Close coordination with the International Auditing and Assurance Standards Board (IAASB) is critical as the IAASB has or is developing the relevant international audit/sustainability assurance standards to this ED such as ISA 620, Using the Work of an Auditor's Expert (ISA 620), and Proposed International Standard on Sustainability Assurance, General Requirements for Sustainability Assurance Engagements (ISSA 5000).</p> <p>10. We believe that more clarification, additional requirements and further guidance are needed in some areas to support consistent implementation, enforceability, profession-agnostic standard (proposed section 5390) and coordination with the IAASB.</p>
<p><b>Independent Regulatory Board</b></p>	<p>The IRBA welcomes the IESBA's proposed principles-based ethical framework aimed at guiding professional accountants (PAs) and sustainability assurance practitioners (SAPs) in evaluating the competence, capabilities, and objectivity (CCO) of external experts.</p>

<b>for Auditors</b>	<p>The proposed CCO evaluation mirrors familiar concepts found in existing provisions in the International Standard on Auditing (ISA) 620, Using the Work of an Auditor’s Expert, and the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.</p> <p>We concur that mandating independence requirements for external experts in audit or assurance engagements could pose challenges in enforceability, given the non-binding nature of the IESBA Code on external experts. Consequently, we support following an “objectivity” approach.</p> <p>Furthermore, we appreciate the collaboration with the International Auditing and Assurance Standards Board (IAASB) on these proposals, to ensure alignment with the IAASB standards. We note, though, that it will be imperative for the IAASB to promptly enact the planned narrow-scope amendments to its standards, in order to prevent confusion and maintain coherence.</p> <p>In Section B, we respond to the IESBA’s specific requests for comment, drawing attention to certain items that could be improved upon to enhance the proposed provisions.</p> <p>Additionally, we have some detailed comments regarding items that the IESBA did not explicitly solicit feedback about. These are noted below.</p> <p>We noted that paragraphs R390.5 and R5390.5 do not specify the type of agreement that the PA/SAP must have with an external expert. To protect the PA/SAP and ensure alignment with paragraph 11 of ISA 620, we recommend amending those two paragraphs to include that the agreement be in writing, whenever appropriate, as follows:</p> <p>R390.5 If the professional accountant has identified an external expert to use for a professional service, the accountant shall, to the extent not otherwise addressed by law, regulation or other professional standards, agree the terms of engagement with the external expert in writing, whenever appropriate, including:</p> <p>R5390.5 If the sustainability assurance practitioner has identified an external expert to use for a professional service, the practitioner shall, to the extent not otherwise addressed by law, regulation or other professional standards, agree the terms of engagement with the external expert in writing, whenever appropriate, including:</p> <p>While we recognise that “using the work of others” is beyond the scope of this project, paragraph 101 of the Explanatory Memorandum addresses the need for additional guidance regarding the use of the work of others. It states that while extant Part 3 of the IESBA Code does not explicitly cover this topic, “paragraphs R220.7 to 220.7 A1 remain relevant in Part 3, due to the applicability provisions outlined in the IESBA Code (i.e., paragraphs R120.4 and R300.5)”. However, it is unclear how these applicability provisions render extant paragraphs R220.7 to 220.7 A1 relevant in Part 3 when using the work of others. These provisions pertain only to circumstances where a PA in public practice engages in professional activities pursuant to the PA’s relationship with the firm. Examples of situations where the provisions in Part 2 apply to a PA in public practice are outlined in paragraph R300.5 A1, and using the work of others does not seem to</p>
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		<p>fit within these circumstances. We therefore recommend incorporating the “Using the Work of Others” section from Part 2 into Parts 3 and 5 of the IESBA Code.</p>
	<p><b>International Organization of Securities Commission</b></p>	<p>We appreciate the Board’s initiative to develop the proposed revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) relating to using the work of an external expert given the growing involvement of external experts in areas such as estimates, technology and sustainability. We are supportive of both the scope of the project and the proposed requirements to subject external experts to independence requirements, similar to other individuals who are part of the engagement team, as we believe applying consistent independence requirements to all individuals involved in an audit or assurance engagement, including a sustainability assurance engagement, promotes high-quality engagements and investor confidence in the reporting of financial and other information.</p> <p>We continue to encourage the IESBA to closely coordinate with the International Auditing and Assurance Standards Board (IAASB) (collectively the Boards) to address topics of mutual importance. Specifically, we encourage the Boards to closely coordinate their work towards consistency of definitions, terms and key concepts used by both Boards in their respective standards in order to promote interoperability, especially for non-Professional Accountants (non-PAs) who might be using the Boards’ standards for the first time.</p> <p>We have included below certain matters, including specific suggestions and editorial edits, that we believe will further strengthen the Code and enhance its understandability.</p>
	<p><b>United Kingdom Financial Reporting Council</b></p>	<p>We have a number of general observations to make about the ED. We strongly support the development of enhanced ethical requirements relating to the use of external experts, due to their increasing importance for the delivery of high-quality audit and assurance engagements. We also welcome the development of requirements and considerations which can be applied by SAPs who are not PAs when delivering sustainability assurance.</p> <p>We also support the close co-ordination with other bodies and initiatives that has underpinned the development of this ED. We strongly support the co-ordination between the IESBA and the IAASB that has fed into the development of the ED. We also welcome the common timeframe shared by the development of these proposed requirements with the IESBA’s proposed International Ethics Standards for Sustainability Assurance. It is important that the IESBA continues to engage with a wide range of global stakeholders in the development of these new standards, and especially with SAPs from non-PA backgrounds. Accordingly, we encourage the IESBA to consider the development of non-authoritative material to support these changes, and to tailor this to the needs of non-PAs.</p> <p>Our comments are also exclusively concerned with the application of the changes to audit and assurance in engagements. We have no</p>

	comments to make with respect to the impact on PAIBs arising from these changes.
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## QUESTION 1

Question 1: Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions?		
	Respondent	Extract of Comment
<b>Agree With Comments/ Mixed Views</b>		
<b>Accounting Firms and Sole Practitioners</b>		
	Association of the Italian Audit Firms	<p>Assirevi outlines that the proposed definition of “expertise” (“Knowledge and skills in a particular field”) is only partially aligned with the definition provided in ISA 620, which includes, as well as the terms “knowledge” and “skills”, also the term “experience”.</p> <p>Reasonably, this misalignment is likely to be overcome. Indeed, as highlighted in the “Explanatory Memorandum” (see page 9), the development of the Exposure Draft was closely coordinated with the IAASB. In addition, the IAASB has included in its Strategy and Work Plan for 2024-2027, a project to consider possible narrow scope amendments to IAASB standards as a result of the finalization of the IESBA project at issue.</p> <p>Furthermore, Assirevi agrees with the definition of “expert” introduced by the IESBA which is broad and anchored relative to the professional accountant’s or sustainability professional accountant’s competence (“An individual possessing expertise that is outside the professional accountant’s or sustainability assurance practitioner’s competence. Where appropriate, the term also refers to the individual’s organization”).</p> <p>In addition, Assirevi recognizes that the proposed amendment of the “external expert” definition is suitable for the use of such expert both in relation to audit engagements and assurance engagements (including sustainability assurance engagements).</p> <p>With regard to that definition, Assirevi ascertains the clarification provided by the Exposure Draft that external experts (“EE”) are only those who are engaged (i.e., hired) by an employing organization, firm or sustainability professional accountant and that, accordingly, external experts “are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team”. In this way, it is clearer that “external experts” are different from: (i) individuals who perform audit procedures (who generally will have audit expertise) who are part of the engagement team and are subject to independence and (ii) individuals with expertise in accounting or other technical or industry-specific matters who provide consultations. Those last categories are part of the audit team and are subject to</p>

		independence requirements.
BDO		<p>BDO generally agrees with the proposals set out in the glossary concerning the proposed new and revised definitions.</p> <p>BDO believes that all common meaning definitions should be aligned;</p> <p>Aligning with the definitions used in proposed ISSA 5000 first and foremost, and ideally also</p> <p>With the definitions used in the ISAs and the IESBA Code Parts 1-5. Any differences in definitions, even subtle ones, can cause confusion for any practitioner (whether a professional accountant or another practitioner).</p> <p>Recommendations</p> <p>There should be a concerted effort to align the definitions amongst all international standards for commonly intended meanings (proposed ISSA 5000, IESBA Code, IFRS, IFRS S1 &amp; IFRS S2 and ISAs).</p>
DTTL		<p>Definition of “Expertise”:</p> <p>Deloitte Global notes that the IESBA’s definition of “expertise” deviates from the definition in ISA 620, Using the Work of an Auditor’s Expert (“ISA 620”). In order to ensure consistency between the Code and the ISAs, we believe the definition in the Code should also include “experience” which is an important factor in considering the competence of an external expert. Often, expertise is not only the result of knowledge and skills but is also influenced by the degree of experience one has in the particular area. Experience is important in the audit context and is also relevant for assurance and nonassurance services. As the revised definition of “external expert” no longer refers to experience explicitly, the concept of this valuable quality will be lost unless incorporated into the definition of “expertise.”</p> <p>Definition of “External Expert”:</p> <p>Deloitte Global conceptually agrees with the modifications to the Code’s extant definition of “external expert” in an audit or assurance engagement (see the drafting suggestions in Appendix B) and subject to any further refinement with the finalization of ISSA 5000, which will have to be closely coordinated with the IAASB as noted above. However, we do not believe “outside the professional accountant’s or sustainability assurance provider’s competence” is sufficiently clear in the context of providing non-assurance services. The firm’s “competence” could be extremely broad, but there may be a certain aspect of a service that requires subcontracting for additional resources. For example, when providing IT services to a client, a firm might hire external resources with specific programming skills to assist with a particular element of that engagement. Ultimately, the firm will take responsibility for the work of the subcontractor as part of the engagement, so it is in the firm’s interest to carry out the necessary oversight and quality control over that subcontractor; in our view, however, they should not be considered an external expert requiring the full CCO assessment under sections 390 and 5390. The phrase “outside the professional accountant’s or sustainability assurance provider’s competence” requires further clarification to avoid the definition</p>

		<p>of “external expert” unintentionally scoping in such individuals.</p> <p>Definition of “External Expert” We suggest the following drafting changes for consideration:</p> <ul style="list-style-type: none"> <li>• “An expert engaged by a professional accountant’s employing organization or firm, or by a sustainability assurance practitioner.</li> </ul> <p>In the context of an audit engagements, an expert individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) possessing expertise in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate audit evidence.</p> <p>In the context of an assurance engagements, including a sustainability assurance engagements, an expert individual (who is not an engagement leader, a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) possessing expertise in a field other than providing assurance services, whose work in that field is used to assist the professional accountant or sustainability assurance practitioner in obtaining sufficient appropriate evidence.”</p> <ul style="list-style-type: none"> <li>• “External experts are not members of the engagement team, audit team, review team. assurance team, or sustainability assurance team.</li> </ul> <p>Sections 290, 390 and 5390 set out the requirements and application material addressing the use of the work of an external expert.”</p> <p>“Engagement team” is included in the definitions for audit team, review team, assurance team and sustainability assurance team so these terms are redundant in the definition of external expert. However, if the Board believes this additional clarification is needed, references to group audit team and group sustainability assurance team should also be included in the definition for completeness.</p>
	EY	<p>We support the proposed definitions of Expert and Expertise as set out in the glossary. However, we believe these definitions need to be deliberated by the IAASB as part of their project to consider narrow scope amendments to IAASB standards with the objective of ensuring consistency and interoperability with regard to the use of these terms.</p> <p>With regard to the definition of External Expert, we note that due to the use of the possessive case of “professional accountant’s” the proposed definition omits the case of the professional accountant in public practice (“PAPP”), as an individual, engaging the external expert. While the definition of a PAPP, as used in Parts 3, 4A and 4B of the Code, includes both the PAPP and the PAPP’s firm, the use of the possessive case suggests that an external expert would only be engaged by the PAPP’s firm, but not the PAPP as an individual. To make it abundantly clear that the PAPP, as an individual, could be engaging the external expert, we suggest the following edits to the proposed revisions to definition of External Expert:</p> <p>An expert engaged by a professional accountant, the professional accountant’s employing organization or firm, or by a sustainability assurance practitioner.</p>
	Grant Thornton	<p>Although we see little significant difference between the extant and the proposed wording, we are not against the use of the proposed</p>

		revised definitions. We are also concerned that the definitions are not in alignment with IAASB definitions which will continue to exacerbate the inconsistencies between the standards and result in lack of clarity, confusion, and inconsistent application in the execution by professional accountants.
KPMG		<p>In general, we support the proposed new and revised definitions. However, we note that paragraph 88 of the Explanatory Memorandum (EM) states, "The proposed new definition of an external expert pertains to an individual only" and, as such, excludes the external expert's organization, if applicable. That approach is not followed through in the proposal, as certain provisions refer to both the external expert and their employing organization. This apparent inconsistency should be clarified or corrected.</p> <p>The proposals would benefit from further guidance to assist practitioners in practically interpreting the difference between external experts who are part of the audit or assurance team (i.e., those with technical or industry-specific expertise who can directly influence the outcome of the engagement (who may be external to the firm)) and external experts who are engaged to assist in obtaining sufficient appropriate evidence in an area that is not accounting, auditing or assurance. We recognize this topic is addressed in questions 8 and 9 in the Staff Q&amp;As of the Definition of Engagement Team and Group Audits standard, but believe additional guidance is needed for appropriate implementation.</p>
Mo Chartered Accountants, Zimbabwe		<p>In addition to the definition under 32, we propose to include "professional competence". Competence ought to be included since it relates to the actual conducting of the work and the elements of knowledge and skill are merely precursors and necessities to this critical element. This may latently be and form part of the knowledge, skills and experience but these 3 do not speak to one being competent. This has to be matter of judgement.</p> <p>We agree to the removal of experience and classify it as a complementary requirement. This should restrict the profession from adopting its own definitions in future rather than being guided by dictionary, literal definitions. Definitions should be be-spoke to the professions unique challenges.</p> <p>The separate definition of internal experts and external experts is crucial. A great number of audit firms have experts in house who match the skills, experience and knowledge of external experts. Internal experts should be subject to all the quality and independence requirements as ordinary employees are. External experts need to be scrutinised more closely since in many cases they have a relationship with the firm which to an independent party may be deemed to be too close or one that may impair independence. For the protection of the public interest, in the interest of the profession and to maintain inimitable standards of professional conduct and integrity we propose that all experts be subject to independence and quality requirements.</p>
<b>Independent National Standard Setters</b>		
Accounting		APESB agrees with the proposals to revise the definition of 'external expert' and to include a new definition of 'experts.' We support the

	<p>Professional &amp; Ethical Standards Board (Australia)</p>	<p>new definition of ‘Experts’ clarifying expertise as being outside of the professional accountant’s or sustainability assurance practitioner’s competence.</p> <p>In relation to the revised definition of an external expert, the inclusion of the newly defined term expert and the retention of the phrase ‘possessing expertise in a field other than assurance’ within the external expert definition in the context of audit and assurance engagements creates a duplication.</p> <p>We acknowledge that the phrase would have been retained to align with the International Auditing and Assurance Standards and provide an example of how this applies in those contexts. However, APESB would encourage the IESBA to consider whether it is more appropriate, in light of the duplication this creates, to change the paragraphs in the context of audit and assurance engagements to explanation paragraphs (i.e., should be in italics). Such an approach would be consistent with the drafting approach undertaken for the definition of Engagement Team, which clarifies how the definition is to be applied in different parts of the Code.</p> <p>APESB agrees that the Code should include a definition of expertise. However, we are concerned about the definition proposed in the Exposure Draft. We are of the view that experience is an important element of gaining expertise. The proposed definition could be read as implying that theoretical knowledge and skills would be sufficient to have expertise.</p> <p>However, the ability to practically apply the knowledge and skills is only gained through experience. We also note that excluding the term ‘experience’ will create a difference with the definition of ‘Expertise’ in ISA 620 Using the Work of an Auditor’s Expert (ISA 620).</p> <p>Australian stakeholders also raised this issue at the APESB roundtable, believing the definition should remain aligned with ISA 620. As such, APESB believes the definition of ‘expertise’ should include a reference to experience.</p>
	<p>New-Zealand Auditing &amp; Assurance Standard Board</p>	<p>Yes. We support the proposals set out in the glossary for the proposed new definitions of ‘experts’ and ‘expertise’ and the revised definition of ‘external expert’. We note that ‘experience’ has been removed from the definition of ‘expert’ and accept the IESBA’s rationale for the deletion. However, given the importance of having the necessary experience, we recommend that considering the experience of an external expert should be part of evaluating the capabilities of the external expert, as noted in our response to question 2 below.</p>
<p><b>Professional Accountancy Organizations (PAOs)</b></p>		
	<p>ACCA</p>	<p>We broadly support the proposals set out in the glossary concerning the proposed new and revised definitions. We note that the proposals incorporate the technology-related revisions, revisions to the definitions of listed entity and public interest entity, and the revisions relating to the definition of engagement team and group audits in the Code. We recognise that these are already effective and acknowledge the updates required to reflect the use of an expert engaged by a sustainability assurance practitioner in line with ED-IESSA.</p> <p>We welcome the development of the proposals being closely coordinated with the International Auditing and Assurance Standards Board (IAASB) to maximise alignment, and interconnectivity between the proposals and the IAASB’s standards to the greatest extent possible,</p>

		<p>especially as this area is evolving, including for example to avoid conflict with ISA 620 and ISSA 5000 ED in relation to ethics-related considerations, as far as possible.</p> <p>Regarding the proposed definition of ‘expertise’, we note that it incorporates knowledge and skills in a particular field, while it excludes experience. Whilst we understand the rationale for excluding the word “experience” in the IESBA’s view, as the element of experience is a complementary factor that strengthens confidence in the expert, besides the expert’s expertise (knowledge and skills), this causes an inconsistency with the ISA 620 definition of expertise which in addition to skills and knowledge also incorporates experience in a particular field. This is likely to cause confusion for practitioners applying both standards in the case of an audit. ACCA therefore suggests the use of consistent definitions where possible and in this case, the use of the ISA 620 definition to avoid confusion.</p> <p>During our roundtables, participants discussed the potential impact of widening the scope of the work of experts and the associated definitions, to address external experts used in professional services beyond just auditing to include for example sustainability assurance. Various viewpoints were raised, considerations discussed, and challenges associated with evaluating the competence, capabilities, and objectivity of external experts, particularly in the context of sustainability assurance and engagements which are noted below. The acknowledgment of the complexities involved underscores the importance of exercising careful consideration to uphold ethical obligations and maintain quality assurance when utilizing the work of experts.</p>
	<p>Accountancy Europe</p>	<p>Yes, we broadly support the definitions except for our considerations mentioned below.</p> <p>We believe that the definition of expertise should include experience. Sustainability is a rapidly expanding field where the demand for expertise generally exceeds the talent available. Professional qualifications are also in the early stages of development. Accordingly, being equipped with practical experience becomes as crucial as possessing knowledge and skills in this field. This is recognised in ISA 620 which defines expertise as knowledge, skills and experience.</p> <p>As a principle, the IESBA and the IAASB should coordinate and align their terminology to the maximum extent possible. Therefore, there is a further need for the IESBA to work together with the IAASB on this project and to align their respective standards, including any definitions used. The main objective of this coordination should be to avoid confusion.</p> <p>Finally, it should be further clarified in the definition what “outside the professional accountant’s or sustainability assurance provider’s competence” means in the context of providing non-assurance services. Otherwise, the external expert definition may unintentionally scope in subcontractors who are hired as additional resources by the PA/SAP when providing a non-assurance service.</p>
	<p>American Institute of Certified Public Accountants</p>	<p>PEEC has concerns with the proposed new and revised definitions in the glossary, as they are not aligned with International Audit and Assurance Standards Board (IAASB) definitions. For example, as noted in Part III. A. of the explanatory memorandum (EM), IESBA proposed a definition of expertise that refers only to knowledge and skills, where the IAASB’s definition of expertise is “skills, knowledge and experience in a particular field.”</p>

	Professional Ethics Executive Committee	For the proposal to achieve the framework characteristic of implementability and global operability, it is critically important that IESBA and the IAASB are strategically aligned during the standard setting process. When the two boards are not aligned, the projects each board carries out will be inconsistent, making the standards inoperable.
	Botswana Institute of Chartered Accountants	We support the definition of expert and external expert as set out in the glossary as this aligns with existing paragraphs such as paragraphs 400.11(in the context of an audit engagement) and 330.5 A1 (in the context of referring a client to an expert). The change in the definition also aligns with the other standards such as concepts in the IAASB’s auditing and assurance standards and its proposed ISSA 5000.
	CAANZ	<p>We broadly agree with the IESBA’s proposed approach to revise the extant definition of an external expert. We support the proposal to explicitly refer to external experts who are engaged by an employing organisation, firm, or SAP to differentiate between experts who might be internal to the firm or employing organisation. The flowcharts provided at Appendix 1 of the EM are most useful in understanding when, and to whom, the proposed provisions will apply. We recommend that these flowcharts be included in non-authoritative material (NAM).</p> <p>However, we are concerned that by excluding experience, and only referring to skills and knowledge, the proposed definition of ‘expertise’ will be inconsistent with the definition contained in ISA 620.</p> <p>Further, whilst the attainment of skills and knowledge may deem a professional competent, relevant experience is necessary to be considered an ‘expert’ in a field. It is often the experience component that experts refer to when promoting their services, as experience engenders trust in, and credibility of, the expert. We recognise that experts in emerging fields, such as sustainability, may have limited experience. For these reasons we strongly encourage the IESBA to reinstate experience in the Glossary as an element of expertise. The provision of application material (AM) or other NAM would be useful to explain that experience in a field may not always be practicable and, under certain circumstances, a lack of specific expertise does not necessarily preclude someone from being considered an expert.</p>
	Chamber of Financial Auditors Romania	- The glossary concerning the proposed new and revised definitions: from our point of view, it is necessary to ensure the consistency in terms’ definition between the IESBA and IAASB i.e. term “expertise” defined in ISA 620, or term “expert” defined in the context of the assurance providers competence against the understandability that it is used when the assurance practitioner has insufficient expertise (defined as knowledge and skills). Also, the definition of external expert: in terms of consistency with IAASB- ISSA 5000 uses the term ‘external experts’ in numerous places but provides no definition within that standard. We consider necessary for the term of external expert to be defined within the IESBA Code or the standard on sustainability as auditors will expect those experts to comply with the provisions of these standards.
	Chartered Accountants	The exclusion of experience, or relevant experience, from the definitions of “expert” and “expertise” raises issues regarding consistency with the requirements of ISA 620, Using the Work of an Auditor’s Expert, which the IESBA has already identified, but also the current

Ireland	<p>proposed ISSA 5000, General Requirements for Sustainability Assurance Engagements, which refers to “experience” in several areas in the context of matters related to competency, e.g. determining whether resources assigned to an engagement have sufficient knowledge and experience to perform the work and to exercise professional judgement (ISSA 5000, A78 and A93) and quality management, e.g. meeting competency requirements, such as education and experience, that support the quality of the sustainability assurance engagement (ISSA 5000, A53). While we note the IESBA has considered definitions of “expert” from reputable dictionaries, we believe it is more important, and relevant, to ensure consistency between assurance standards regarding determining expertise, and experience should be a factor to consider.</p> <p>The definition of “expertise” in the reputable dictionaries referenced by the IESBA (Cambridge, Merriam-Webster and Oxford Languages) all refer to a “higher” or “authoritative” level of knowledge and skills. Also, ISA 220, Quality Management for an Audit of Financial Statements, highlights expertise being used in situations where knowledge required is “specialised”, and ISA 620 refers to it being used in “highly complex” situations. We believe the distinction is important, as the Fundamental Principle of Professional Competence and Due Care appropriately refers to “knowledge and skills” in the context of establishing competence. Defining “expertise” in the Code in relative terms, e.g. “a higher level of knowledge, skills and experience in a particular field”, is more appropriate and reflects the reality that often practitioners have a certain level of competence in a particular field but require additional expertise in that same field because of a particular complexity they must address.</p> <p>The glossary defines “expert” and “expertise”, but it does not define “competence”. As highlighted above, the level of knowledge and skills (and experience) one possesses is an important distinction between “competence” and “expertise”. The IESBA could provide this clarity by including a definition of competence that is consistent with the Fundamental Principle of Professional Competence and Due Care. For example, “competency refers to a sufficient level of ability to perform a task or job adequately and that an individual has the standard/necessary skills, knowledge, experience and abilities to perform the task or job they are requested to perform, and to identify areas or instances where a higher level of knowledge, skills and experience may be required”. This is an example of a wording that would also be consistent with ISSA 5000, A66, which addresses the requirement for an engagement leader to have sufficient sustainability competence that includes, amongst other abilities, the ability to ask appropriate questions of an expert and judge whether the answers are reasonable.</p> <p>We note the IESBA’s close co-ordination with the International Auditing and Assurance Standards Board (IAASB), and its endeavours to avoid conflict with ISA 620 or other relevant IAASB standards, and the ISSA 5000 Exposure Draft. As ISSA 5000 is currently not finalised, we would encourage the IESBA to revisit alignment on glossary terms to avoid confusing inconsistencies.</p>
Colombia’s National Institute of Public	<p>Yes, we support the proposals since these address the knowledge and skills that experts in specific fields must have regarding audit engagements and assurance engagements. In addition, it also deals with the sustainability assurance and how important it is to work together with the practitioner in order to obtain sufficient and appropriate evidence.</p>

	Accountants	
	CPA Australia	<p>While recognising the discussion and explanations given by the IESBA for why it has chosen to define the terms “expert” and “expertise” in the way that it has (refer Section III of the Explanatory Memorandum), it is not clear that the importance of experience has been appropriately addressed in the definitions, or in the proposed standards. Moreover, with the International Auditing and Assurance Standards Board (IAASB) including the word “experience” in its definition of expertise, it means that there will be different definitions in the two different sets of standards.</p> <p>The following observations are made:</p> <p>After referring to dictionary definitions that describe an expert as having knowledge and skills, it is unclear why the IESBA defined expertise using those two terms, and then defined expert by reference to its definition of expertise. An alternative would have been to define expert by direct reference to the words “knowledge and skills”. Logic suggests that less confusion will be created, and there will be less chance of misunderstanding, if the definition of expert was to refer directly to knowledge and skills. By referring to the concept of expertise, some readers may make their own assumptions about what expertise entails (especially if they are audit and/or assurance practitioners familiar with the international auditing and assurance standards) without reference to the IESBA’s definition of that term.</p> <p>It is unclear why in its definition of expert, the IESBA has chosen to anchor/refer to a professional accountant’s, or sustainability assurance practitioner’s, “competence”. The Explanatory Memorandum (refer to paragraph 40) notes that an expert might need to be used when “the professional accountant or sustainability assurance practitioner lacks sufficient expertise to perform a professional activity or service”. Based on this discussion in the Explanatory Memorandum, it seems that the IESBA is equating a lack of expertise with being outside an area of competence. If that is not the intention of the IESBA, consideration might be given to revising the wording of the proposed definition of expert to something along the lines of: “An individual possessing expertise in a particular field where the professional accountant or sustainability assurance practitioner has a lack of expertise”. (With reference to the first dot point above, expertise may be substituted with the words “knowledge and skills” in the suggested revised definition).</p> <p>In sections 290.6, 390.6 and 5390.6, the professional accountant or sustainability assurance practitioner is seeking to evaluate the competence, capabilities and objectivity of the external expert. Arguably, given that there is no reference to evaluating the expertise (knowledge and skills) of the expert in these sections, it appears to assume that by virtue of being considered an expert, the knowledge and skills are a given and hence do not need to be specifically evaluated. If that assumption is correct, the IESBA may seek to make that point more clearly in the standard.</p>
	CPA Canada PTC	<p>The PTC generally supports the proposals set out in the glossary concerning the new and revised definitions. However, stakeholders identified that the definition of “External Expert” for audit engagements includes “...obtaining sufficient appropriate audit evidence” whereas the assurance engagements definition includes only “...obtaining sufficient appropriate evidence”. The PTC observes that this approach</p>

		<p>seems inconsistent and recommends that the definition of assurance engagements include “obtaining sufficient appropriate assurance evidence”. Alternatively, the PTC thinks that it would be helpful for IESBA to clarify why “audit” is added to the definition for audit engagements, but “assurance” is not required for the definition of an assurance engagement.</p> <p>Furthermore, the PTC observes that the definition of External Expert does not sufficiently distinguish an external expert from an expert engaged by the firm who can directly influence the outcome of an audit/assurance engagement (the latter is part of the Audit /Assurance Team). Without highlighting in the definition that some external experts might be considered members of the engagement team, practitioners might assume all externally engaged experts fall within the external expert definition and apply less stringent independence rules. The extant code and proposed changes also do not sufficiently explain the term “can directly influence the outcome”. The PTC appreciated the examples in ET-GA Q&amp;As and the flowcharts in Appendix 1 and paragraphs 46 to 53 in the Explanatory Memorandum which assisted with understanding the difference between an audit team member and an external expert. The PTC recommends that the IESBA includes as application material some of the explanation provided in the Explanatory Memorandum and examples to illustrate the difference between an external expert and an audit/assurance team member and as non-authoritative guidance, the flowcharts in Appendix 1.</p>
	<p>FACPCE                  (Federación                  Argentina de                  Consejos                  Profesionales de                  Ciencias                  Económicas)</p>	<p>We consider that the proposals established in the glossary should be consistent with the provisions of ISA 620, both in relation to the definitions of auditor's expert and specialization, and in what arises from section 8 of the standard referring to nature, timeliness and extent of audit procedures.</p> <p>If, on the other hand, the IESBA considers that the concepts of ISA 620 are not adequate, it should convey this concern to the IAASB so that both pronouncements are consistent with each other.</p>
	<p>ICAEW</p>	<p>We have reservations about the proposed definition of “expertise” in the glossary. In particular, we are surprised that the definition does not include “experience” as one of the criteria against which expertise is to be judged.</p> <p>As a general point, we would encourage IESBA to ensure that any definitions relating to experts in the Code are aligned with the provisions of ISA 620. We note that paragraph 6(b) of the current version of ISA 620 (revised) sets out the definition of expertise thus: “Expertise—skills, knowledge and experience in a particular field.”</p> <p>We note that sustainability is a complex and emerging field. There may be areas in this specialism which are not yet the subject of defined academic curricula or qualification. Therefore, we consider that it would be prudent to include “experience” as well as “knowledge and skills”, as one of the categories that contribute to the “expertise” possessed by a potential expert.</p> <p>This approach appears to be explicitly endorsed in paragraphs 390.17.A2 and 5390.17.A2; and is implied by the 5th bullet point in the list</p>

		<p>of factors set out in proposed paragraphs 290.6.A2; 390.6.A2; and 5390.6.A2</p> <p>We consider that it would be helpful to confirm explicitly whether or not sub-contractors are included within the definition of an expert.</p>
	<p>ICAS</p>	<p>Definition of expertise</p> <p>We are supportive of the proposed definition of ‘expertise’ as ‘knowledge and skills in a particular field’, and the IESBA’s view (noted in the Explanatory Memorandum paragraph 37) that ‘experience is a complementary factor that strengthens confidence in the expert, besides the expert’s expertise (knowledge and skills)’ and is therefore distinguishable from ‘expertise’.</p> <p>Definition of expert</p> <p>We note that the IESBA defines ‘expert’ as follows:</p> <p>‘An individual possessing expertise that is outside the professional accountant’s or sustainability assurance practitioner’s competence. Where appropriate, the term also refers to the individual’s organization.’</p> <p>Paragraph 40 of the Explanatory Memorandum states: ‘This approach recognizes that an expert might need to be used when the PA or SAP lacks sufficient expertise to perform a professional activity or service.’ We are not convinced of the appropriateness of the word ‘competence’ in the first sentence of the definition, which might imply ‘incompetence’, rather than a lack of sufficient expertise, or knowledge or skills, in a particular area.</p> <p>This would also be more in line with paragraphs 290.4 A1 and 390.4A1: “A self-interest threat to compliance with the principles of integrity and professional competence and due care is created if a professional accountant performs a professional activity for which the accountant has insufficient expertise.”</p> <p>We would therefore suggest amending the definition as follows:</p> <p>‘An individual possessing expertise that is outside the professional accountant’s or sustainability assurance practitioner’s field of expertise/knowledge and skills in a particular fieldcompetence. Where appropriate, the term also refers to the individual’s organization.’</p> <p>We also believe the second sentence should be consistent with language within the body of the Code – for example paragraph 290.6 A6 states: “Examples of previous judgments made or activities performed by an external expert or their employing organization that might create a self-review threat to the external expert’s objectivity include ...”</p> <p>We therefore suggest the following amendment:</p> <p>‘Where appropriate, the term also refers to the individual’s employing organization.’</p> <p>Definition of an ‘external expert’</p>

		<p>An external expert is defined in the Glossary as:</p> <p>“An expert engaged by a professional accountant’s employing organization or firm, or by a sustainability assurance practitioner.”</p> <p>We are supportive of the proposed definition of ‘external expert’ to explicitly refer to those who are engaged (i.e. hired) by an employing organisation, firm or SAP, and to distinguish between external experts used in an audit engagement vs an assurance (including a sustainability assurance) engagement.</p> <p>We do however have some concerns that the term ‘engaged by’ on its own in the Glossary may lead to some confusion as to what IESBA means without the further clarification that is provided in paragraph 41 of the Explanatory Memorandum. We therefore suggest that the definition be amended as follows:</p> <p>“An expert engaged (i.e. hired) by a professional accountant’s employing organization or firm, or by a sustainability assurance practitioner.”</p> <p>We also suggest it might be helpful to include Appendix 1 of the Explanatory Memorandum ‘Flowchart for Experts Used in an Audit Engagement’ in guidance to the Code to assist users of the Code.</p> <p>Paragraph 320.11 A2</p> <p>We note paragraph 320.11 A2 states the following: “320.11 A2 When a professional accountant intends to use the work of an expert, the requirements and application material set out in Section 390 apply.”</p> <p>As Section 390 relates to ‘Using the work of an external expert’ we suggest, for consistency, that paragraph 320.11 A2 also refers to an “external expert”:</p> <p>‘320.11 A2 When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 390 apply.’</p> <p>Industry or other benchmarking data or studies</p> <p>Paragraph 390.4 A4 (b) (and paragraph 5390.4 A4) states the following:</p> <p>“390.4 A4 (b) The use of information provided by individuals or organizations that are external information sources for general use. They include, for example, those that provide industry or other benchmarking data or studies, such as information about employment statistics including hours worked and compensation per week by geographical area, real estate prices, carbon emissions by vehicle type, mortality tables, or other datasets for general use.</p> <p>We believe a PA or SAP would still have to assess the CCO of such service providers at some level before they use their data. At the very least, we suggest a reference to paragraphs R220.7 and 220.7A1 in this paragraph and paragraph 5390.4 A4 (as the Explanatory</p>
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		<p>Memorandum paragraphs 99 to 102) to assist users of the Code.</p>
	<p>IDW</p>	<p>do not understand why IESBA is introducing a new definition of expertise (knowledge and skills in particular field) at variance with the definition of the IAASB (skills, knowledge and experience in a particular field) without having consulted the IAASB on whether such a change is appropriate. One of the reasons why most jurisdictions require a period of professional experience beyond education and training for professional qualifications such as medical doctors and professional accountants is because experience has a quality of its own beyond knowledge, training or skills. The word “expertise” suggests extraordinary proficiency that can only be achieved through experience. For these reasons, we suggest that IESBA retain the definition used by the IAASB and – as a matter of principle – consult fully with the IAASB before considering such a change to the Code.</p> <p>With respect to the definition of expert, it is unclear to us why an additional sentence about an individual’s organization is needed when the first sentence could simply state “An individual or organization”. Furthermore, if the requirements are directed towards both internal and external experts, the differentiation between the expertise possessed by an auditor’s expert (in a field other than accounting or auditing) and a sustainability practitioner’s expert (other than assurance) would need to be placed within the definition of expert, rather than external expert. The definition of external expert could then be limited to the first sentence (together with the material in italics).</p> <p>Evaluation</p>
	<p>Institute of Public Accountants Australia</p>	<p>Subject to the below comments, IPA is generally supportive of the proposed definitions of “expertise”, “expert” and “external expert”.</p> <p>Prior to finalising the definition of “expertise”, IESBA should continue to work in close consultation with the IAASB to ensure the adopted definition does not cause any operative issues with the definition used in IFAC International Standard on Auditing ISA 620 Using the Work of an Auditor’s Expert. IPA believes a consistent definition should be used by both the IESBA and the IAASB to facilitate the auditor’s application of the respective requirements of both standards.</p> <p>Application of the proposed definition of “expertise” in practice may raise unacceptable risks for professional accountants where an expert lacks sufficient experience despite possessing a high level of knowledge or skills in their field of expertise. For example, a highly academically qualified expert with little industry experience across a broad range of industries and varying scales of business may not be fit to be an expert for a particular client despite meeting dictionary definitions.</p> <p>IPA agrees that the element of experience is a complementary factor that strengthens confidence in the expert and that skills are inherently also developed through experience. However, certain expert engagements will necessitate a higher range of experience than other engagements.</p> <p>Small and medium sized entities are likely to need guidance and tools to assist in applying the proposed definitions of “expertise”, “expert” and “external expert”.</p>

<p>International Federation of Accountants</p>	<p>There are challenges we wish to raise for both terms that have been added to the glossary, expertise and expert, and for the term external expert, which has been revised. The definition of expertise focuses on knowledge and skills in a particular field. This excludes ‘experience’ which will create an inconsistency with ISA 620 where paragraph 6(b) defines expertise as “skills, knowledge and experience in a particular field”. In some emerging fields such as sustainability and technology there will be unprecedented demand for experts who, whilst having the requisite skills and knowledge, could be argued to lack experience due to work in this area being new. As such, it is understandable if experience has been omitted due to the practical challenges this might create. However, consistency in definitions between the IESBA and IAASB is important, and it is not clear from the explanatory memorandum (EM) whether the IAASB intend to revisit their ISA 620 definition which would make this inconsistency temporary and therefore more appropriate.</p> <p>More generally on consistency between the IAASB and IESBA, comments received in relation to the IAASB’s ISSA 5000 ED are likely to result in changes to the standard, which could impact any planned alignment on terminology and definitions. It is essential that the two boards cooperate and confer with one another to ensure the approach, terminology and definitions remain consistent prior to the release of final pronouncements for either project.</p> <p>The definition of expert is anchored to the assurance provider’s competence, whereas the EM states that an expert is used when the assurance practitioner has a lack of expertise (defined as knowledge and skills). It is not clear whether it is intended for competence to equate to expertise in this respect. If this is not the case, the competence, capability and objectivity assessment (CCO) would appear to omit consideration of knowledge and skills, implying it is not necessary for an expert to possess these. As such, the definition and relationship to the CCO assessment is confusing and should be clarified.</p> <p>The definition of expert also cross-references the term expertise. This appears to add needless complexity considering expertise is defined through knowledge and skills and as such these two words could be incorporated directly into the definition of expert. The glossary is intended to be helpful, but unnecessary cross-references can add length and complexity to the Code without generating corresponding benefits. Cross referencing other terms should be limited to where there are complex or lengthy definitions that need to be incorporated into other concepts.</p> <p>There are several concerns over the definition of external expert. In terms of consistency with IAASB, ED ISSA 5000 uses the term ‘external experts’ in numerous places but provides no definition within that standard. It is thus not clear that this definition is necessary within the IESBA Code.</p> <p>The definition given also refers to “expertise in a field other than accounting or audit”, which could raise issues. Areas such as valuation are flagged in paragraph 18 of the EM as an example of a non-accounting service, but in some jurisdictions, elements of valuation services would be considered accounting services. Additionally, if an expert assisting an auditor has audit experience, or if they develop this through the course of their work with auditors, they will potentially fall in breach of this definition. The proposed wording creates scope issues as it may be taken to imply that once you have gained sufficient skills and expertise in audit that you can no longer be an external expert in a</p>
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		<p>different field. The reality, of course, would be that the expertise would become more relevant in this situation. Whilst the wording is not intended to be read in this way, the ambiguity it leaves is problematic so will need to be rectified.</p> <p>There is also a challenge around the definition of external expert being of a 'negative' type. Direct guidance of who is a member of the engagement team or sustainability assurance team (through their ability to directly influence outcome of work), rather than focusing on who is not, may have been more appropriate with some specific examples to illustrate.</p>
	<p>Japanese Institute of Certified Public Accountants</p>	<p>We support the proposals set out in the glossary concerning the proposed new and revised definitions, except for the following matters.</p> <p>The ED's glossary states that external experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team. We suggest that the IESBA provide guidance on the definition of an external expert, including specific examples of service providers performing professional services and individuals who can directly influence the outcome of an assurance engagement, because especially in a sustainability assurance engagement, it might be difficult to determine who is a member of the engagement team or the sustainability assurance team.</p> <p>In addition, in finalizing revisions to the IESBA Code relating to using the work of an external expert, we suggest that the IESBA ensure that the revisions and the definitions of the terms "auditor's expert" and "management's expert" are consistent with those used in ISA 620 and ISSA 5000.</p>
	<p>MIA</p>	<p>We broadly agree with the proposals set out in the glossary.</p> <p>However, we find that there are inconsistencies within the external expert definition as explained in the explanatory memorandum, particularly in relation to the flowchart provided in Appendix 1. While the proposed definition states that an external expert is not an engagement team member or audit team member, the flowchart in Appendix 1 appears to contradict this conclusion by inferring that the expert can be an engagement team member or audit team member. The Appendix also seems to imply that an "internal expert" is not an engagement team member, which would contradict extant Code paragraph 400.11.</p> <p>We would propose that the IESBA revise the flowcharts to address these inconsistencies if they will be included in the Basis of Conclusions or the final pronouncement.</p>
	<p>Royal Netherlands Institute of Chartered Accountants</p>	<p>Yes, we broadly support the definitions except for our considerations mentioned below. For further explanation, we refer to the letter from Accountancy Europe dated April 30, 2024.</p>

<p>Saudi Organization for Chartered and Professional Accountants</p>	<p>While the proposed revisions to the Code aim to clarify definitions and streamline concepts related to the use of external experts, SOCPA believes that the way the “expertise” term is conceptualized in the Code should be revised. It should be clear whether or not the terms “knowledge” or “skill” include “experience” because “experience” as well as “training” eventually shape what is called “knowledge” or “skill”. This idea is clear, for instance, in the dictionary definition by “Merriam-Webster” provided in the ED document. We believe this idea should be clear and consistent in the Code; “experience” should be depicted as being similar to training and education which all together constitute “knowledge and skills”. Therefore, the “experience” term should not be correlated with “knowledge” (as in para R540.9) because such correlation shows “experience” as a distinct concept from “knowledge” which at the end does not correlate with the way “expertise” is defined in the proposal. If it is intended to treat the “experience” term as a separate concept from “knowledge” and “skill” concepts, then the exclusion of “experience” term from the proposed definition of “expertise” becomes an issue as it does not cover a significant resource for the development of “expertise”. Although the “knowledge” concept is sometimes used to describe the theoretical aspect while the “experience” term is utilized to describe the practical aspect, the way the Code depicts these concepts does not seem to represent this idea. Thus, SOCPA believes the Code’s approach in depicting these terminologies should be clear and consistent throughout the Code.</p> <p>Accordingly, the decision to avoid using the “experience” term in the definition of “expertise” may raise unintended misunderstanding (e.g. practical experience is not important as much as professional/educational qualifications in order to assess expertise). However, we believe that this issue can be overcome by clarifying in the Code that experience is a major input (factor) as much as training, education and other qualifications in the development of “knowledge” and “skills” (e.g. may be additional clarification to paras 290.6 A2, 390. 6A2 and 5390.6 A2). The clarification of this idea shall help in strengthening consistency between the proposed definition and the definition of “expertise” in International Standard on Auditing (ISA) 620, as well as limit such unintended misunderstanding of the “expertise” and “experience” concepts.</p>
<p>The South African Institute of Chartered Accountants</p>	<p>SAICA supports the proposed new and revised definitions.</p> <p>The definition of External Expert is clearly defined, and it distinguishes between external experts who are engaged by an employing organisation, firm or SAP and internal experts who are employed by the organisation or firm making use of their expertise. The definition further distinguishes between external experts used in an audit engagement and an assurance engagement.</p> <p>However, SAICA is concerned with the definition of expertise in ISA 620 that refers to knowledge, skills and experience. The definition in the Code is not aligned to ISA 620 as it excludes experience in a particular field.</p> <p>SAICA recommends that there should be a concerted effort to align the definitions amongst all international standards to ensure that there is consistency in meaning, as any differences in definitions, however subtle, could cause confusion amongst professional accountants or another practitioner.</p>
<p>WPK</p>	<p>WPK mostly agrees with the definitions. However, we believe that the proposed definition of expertise should include experience as well.</p>

		<p>In the field of sustainability, there is an increasingly high demand for expert knowledge meeting a still limited number of qualified persons. Practical experience is therefore paramount valuable. This has also been considered in ISA 620 defining expertise as a combination of skills, knowledge and experience in a particular field.</p> <p>In general, it is strongly recommended that the IESBA and the IAASB use the same definitions and terms whenever possible in order to avoid confusion and to increase understanding and acceptance by public accountants and external experts.</p>
<b>Public Sector Organizations</b>		
	<p>United States Government Accountability Office</p>	<p>We support including definitions for “expert” and “expertise” in the proposed standard. However, in our view, the proposed definition of “external expert” is potentially confusing within the wording related to “assurance engagements” because an “audit engagement” is a type of assurance engagement (see bolded language below). The proposed standard defines “external expert” as:</p> <p>An expert engaged by a professional accountant’s employing organization or firm, or by a sustainability assurance practitioner.</p> <p>In the context of audit engagements, an expert (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) possessing expertise in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate audit evidence.</p> <p>In the context of assurance engagements, including sustainability assurance engagements, an expert (who is not an engagement leader, a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) possessing expertise in a field other than assurance, whose work in that field is used to assist the professional accountant or sustainability assurance practitioner in obtaining sufficient appropriate evidence.</p> <p>The International Auditing and Assurance Standards Board’s (IAASB) International Standards on Auditing (ISA) define an assurance engagement as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.” Because an “audit” is a type of assurance engagement, we suggest that the definition of external expert be modified to “In the context of other types of assurance engagements, including sustainability assurance engagements” to better distinguish between audit (examination) engagements and other types of assurance engagements.</p> <p>We agree that an external expert is separate from members of the engagement team. This is similar to the distinction made for an auditor’s external expert and auditor’s external specialist in the definitions of “auditor’s expert” and “auditor’s specialist” in ISA 620, Using the Work of an Auditor’s Expert and American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards (AU-C) 620, Using the Work of an Auditor’s Specialist, respectively. This is also similar to the definition of a “specialist” in GAO’s generally accepted</p>

		government auditing standards (GAGAS) paragraph 1.27p, which defines a specialist as “an individual or organization possessing special skill or knowledge in a particular field other than accounting or auditing that assists auditors in conducting engagements. A specialist may be either an internal specialist or an external specialist.”
<b>Regulators and Oversight Authorities, Including MG members</b>		
CEAOB	Scope and definitions of ED-Use of experts	<p>There is a need for more clarification regarding management’s experts. In the “Desired Public Interest Position” in paragraph 116 of the EM, “Management’s experts” is missing, whilst it is included in “Current Position” as being covered by the ISAs. It is understood that the proposed revisions in the Code do not address the use of the work of a management’s expert. However, the distinction between the different types of experts (internal, external and management expert) should be clarified in the Code as well as the standards by the IAASB (ISA 500, ISA 620, ED-ISSA 5000).</p> <p>In the same vein, we urge the IESBA to liaise with the IAASB to ensure proper understanding by all practitioners and consistency concerning whether or not the auditor’s internal expert is considered to be part of the engagement team. The appendix to this letter provides further details on our concerns in this area.</p>
IAASA		<p>The IESBA should liaise with the IAASB to ensure proper understanding by all practitioners and consistency concerning whether or not the auditor’s internal expert is considered to be part of the engagement team. It seems that “internal experts” (i.e. those employed by the auditor’s firm) are included in the definition of “engagement team” in the IAASB standards while being excluded from the “engagement team” in the IESBA Code in some instances.</p> <p>The definition of “engagement team” in paragraph 12(d) of ISA 220 (Revised) excludes the “auditor’s external expert”, while the IAASB’s fact sheet on the definition of “engagement team” shows internal experts as included in the engagement team (page 4 of the IAASB factsheet). However, page 28 of the explanatory memorandum (EM) for the ED indicates that the auditor’s internal experts are excluded from the engagement team unless they are performing audit procedures.</p> <p>This may lead to confusion as well as a lack of consistency in application by practitioners. The IESBA should liaise with the IAASB to assess how best to address this point.</p>
IFIAR		<p>11. In the glossary, the definition of “External Expert” for a SAP should also be extended to their employing organization or firm for consistency with experts engaged by a professional accountant. Further, the deletion of the term “accounting” when defining expertise outside of assurance engagements performed by professional accountants may lead to confusion. We propose what constitutes an external expert for assurance engagements, including sustainability assurance needs to be defined separately for PAs and SAPs who are not</p>

		<p>professional accountants.</p> <p>12. A clear definition of “External Expert” will promote appropriate and consistent implementation of the proposed provisions in the ED. From this perspective, “Appendix 1: Flowchart for Experts Used in an Audit Engagement” included in the Explanatory Memorandum (EM) is useful for PAs and SAPs.</p> <p>13. We recommend that the Appendix 1 in the EM and a similar flowchart for SAPs should be incorporated into the final standard to promote appropriate and consistent consideration in using the work of external experts in both audit and sustainability assurance engagements. In addition, we believe that further guidance on what constitutes performing assurance procedures will be necessary to help SAPs distinguish between engagement team members and external experts.</p>
	<p>Independent Regulatory Board for Auditors</p>	<p>While we support the introduction of the new definitions, we are concerned with the proposed definition of “expertise”. This definition lacks specificity regarding the depth or level of proficiency required. For clarity and consistency, it would be beneficial to use language that indicates that expertise entails possessing in-depth or advanced knowledge and skill in a particular field. Such an adjustment would accurately capture the expectations associated with expertise as per the material the IESBA used for its consultation for this definition, and would provide clearer guidance for its interpretation and application.</p> <p>We support the revised “external expert” definition, as it clearly distinguishes external experts from internal ones. This is a necessary clarification, considering that the proposed new sections apply to external experts only. This differentiation will facilitate the appropriate and consistent implementation of the proposed sections.</p> <p>How to address internal experts that are not part of the engagement, audit, assurance or sustainability assurance teams may not be evident to PAs and SAPs without referencing this exposure draft. To deal with this, we propose including in the IESBA Code the appendix to the Explanatory Memorandum entitled “Appendix 1: Flowchart for Experts Used in an Audit Engagement”. Alternatively, we suggest incorporating an additional sentence in the definition of external expert, as follows: “External experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team. They are also not internal experts, as they are not employed by the firm. All such individuals are already subject to the firm’s quality management policies or other policies and procedures that address hiring, competence and resourcing, and the provisions of the IESBA Code. Sections 290, 390 and 5390 set out the requirements and application material addressing the use of the work of an external expert.”</p>
	<p>International Organization of Securities Commission</p>	<p>We believe that there should be alignment between the IESBA and the IAASB on their definitions of “Expertise,” “Expert,” and “External expert”. More specifically, we note the following matters on the IESBA’s proposed definitions as considerations for the IESBA:</p> <p>The IESBA’s proposed definition of “Expertise” is “knowledge and skills in a particular field.” This definition diverges from the IAASB’s definition which defines the term as “skills, knowledge, and experience in a particular field.” We acknowledge that the IESBA’s view that “the element of experience is a complementary factor that strengthens confidence in the expert, besides the expert’s expertise (knowledge</p>

		<p>and skills)” and that “skills are inherently developed through experience.” However, we believe that the Boards should avoid unnecessary differences between their definitions in order to promote interoperability and avoid confusion.</p> <p>The IESBA’s proposed definition of “Expert” includes a statement that: “...Where appropriate, the term also refers to the individual’s organization.” We believe that an explanation should be provided regarding this statement and describe the circumstances where it would, or would not, be considered appropriate to refer to the individual’s organization.</p> <p>The IESBA’s proposed definition of “External Expert” includes specific paragraphs tailored to Part 3 (“In the context of audit engagements...”) and Part 5 (“In the context of assurance engagements, including sustainability assurance engagements...”). Since the term “External Expert” is also used in Part 2 of the Code, we believe the IESBA should include a similar paragraph tailored to the use of an external expert by professional accountants in business.</p> <p>It is crucial for PAs and sustainability assurance practitioners (SAPs) that the term “External Expert” is clearly defined in the Code. From this perspective, “Appendix 1: Flowchart for Experts Used in an Audit Engagement” included in the Explanatory Memorandum (the EM) assists stakeholders in distinguishing between engagement team members, audit team members and external experts in the context of an audit engagement. We note that the Appendix 1 in the EM only addresses situations when a PA uses an expert in the context of an audit engagement and does not address situations when a SAP uses an expert in the context of a sustainability assurance engagement. We believe a similar flowchart in the context of a sustainability assurance engagement should be developed in order to promote appropriate and consistent application of the proposed provisions. Additionally, as we found the flowchart particularly helpful, we believe the IESBA should consider whether to include this flowchart (and the equivalent for a sustainability assurance engagement) in the application material in the Code.</p>
	<p>Public Accountants and Auditors Board, Zimbabwe</p>	<p><b>DEFINITION OF EXPERTISE</b></p> <p>The PAAB disagrees with the IESBA’s proposal to exclude experience from the definition of expertise and redefining “expertise” as referring only to knowledge and skills. This is because we are of the view that for one to be an expert, one needs to have some level of experience in that field, as knowledge and skill only might not be sufficient. There is need to align with ISA 620 (ISA 620 defines expertise as knowledge, skills, and experience) for consistency application of the term.</p> <p><b>DEFINITIONS OF EXPERT AND EXTERNAL EXPERT</b></p> <p>The PAAB agrees with the IESBA definition of an expert to be an individual possessing expertise (knowledge, skills and experience) that is outside the professional accountant’s or sustainability assurance practitioner’s competence.</p> <p>The PAAB agrees with the IESBA definition of external to be an expert engaged by a professional accountant’s employing organization or firm, or by a sustainability assurance practitioner, as we agree that the definition presents a clearer contrast against experts that might be internal to the employing organization or firm.</p>

		<p><b>DISTINGUISHING BETWEEN AUDIT TEAM (AT) MEMBERS AND EXTERNAL EXPERTS</b></p> <p>The PAAB agrees with the proposal as the distinction is clearly explained in the exposure draft, but we however suggest that the distinction should also be part of the proposed new glossary definitions in the Code.</p>
	<p>United Kingdom Financial Reporting Council</p>	<p>The FRC supports the revised definitions of ‘expert’, ‘expertise’, and ‘external expert’ for inclusion in the glossary as set out in the ED. The definitions are reasonable and provide a basis for judgements by practitioners on determining whether an individual is expert. In particular, the definition of expertise makes it clear that this is bound to a specific subject matter, and we would encourage the IESBA to emphasise this point in any future guidance.</p> <p>More generally, we also consider that there is scope to do more to assist practitioners who do not come from an accounting background to apply the new requirements. For example, the very helpful diagrams included within the EM to explain the scope of the proposed changes could be usefully incorporated within the Code as an aid to interpretation by practitioners; or issued as separate guidance alongside the revised code.</p>
<p><b>Disagree</b></p>		
<p><b>Academia and Research Institutes</b></p>		
	<p>Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand (AFAANZ)</p>	<p>We do not support the proposed new and revised definitions of expertise. With reference to a long tradition of academic research examining expert performance, we are of the strong view that reference to experience should be retained in references to expertise. Removal of reference to experience risks inaccurate assessments by the professional accountant and sustainability assurance practitioner of an expert’s competence and capabilities. We believe that it is in the public interest to; 1. Include experience in the proposed new definition of expertise and, 2. With reference to the revised definition of external expert, refer to the components of expertise (i.e., skills, knowledge and experience) rather than the collective term of expertise.</p> <p>Research, predominately in auditing but also in other accounting disciplines, presents a comprehensive account of expertise (see Bédard 1989; Libby and Luft 1993; Nelson and Tan 2005; Mala and Chand 2015 for reviews). Although the majority of research in this area has been undertaken some time ago, the research findings are still applicable and should not be interpreted as lacking contemporary relevance.</p> <p>Research in accounting clearly shows that expertise is a function of knowledge and ability (e.g., Bonner and Lewis 1990), the latter of which is analogous to skills. We therefore understand the IESBA’s arguments around the exclusion of experience as research highlights that experience is an antecedent of knowledge (e.g., Frederick 1991). There is, however, a fundamental concern with this argument.</p> <p>While research highlights that the amount of knowledge is an important determinant of expertise, it also highlights that the structure of that knowledge is critical (e.g., Weber 1980; Choo and Trotman 1991; Tubbs 1992; Harding 2010). An expert’s knowledge is more effectively</p>

		<p>organised (e.g., Larkin et al. 1980; Norman et al. 1994). Professional accountants (and sustainability assurance practitioners) with the same level of knowledge (and ability) can perform differently depending on the task (e.g., Choo 1989; Ramsay 1994; Nelson et al. 1995; Harding and Trotman 1999). Experience is a critical determinant of the structure with which knowledge is organised (Gibbins 1984; Bedard and Chi 1993).</p> <p>Although it may be argued, as the IESBA does in the Explanatory Memorandum, that a consideration of knowledge implicitly includes a consideration of experience necessary to attain the knowledge, we believe that this focusses attention on the volume of knowledge at the expense of the structure / organisation of that knowledge. Retaining reference to experience, and potentially elaborating on how experience speaks to the organisation and not just the amount of knowledge, facilitates a more comprehensive understanding of expertise and a more precise assessment of an expert’s competence and capability.</p>
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**Accounting Firms and Sole Practitioners**

	<p>Mazars</p>	<p>We do not support the proposed new and revised definitions included in the glossary. In expanding the content of the Code on the use of experts, we believe that definitions, in particular that of external expert, should be more closely aligned with the existing definitions used by the IAASB in their audit and assurance standards (ISA 620, ISAE 3000 and ED-5000).</p> <p>We set out further comments on the definitions below.</p> <p>Definition of expertise:</p> <p>The revised IESBA definition of “expertise” refers only to knowledge and skills and excludes the element of “experience” as only a complementary factor that strengthens confidence in the expert. We note the difference between this proposed definition and that used by the IAASB, which includes knowledge, skills and experience in its definition of expertise.</p> <p>Although, we understand the reasoning for excluding experience provided by IESBA in the explanatory memorandum given the use of experience in different contexts in the extant Code, the inconsistency between international standards is unhelpful. It is also possible, in the fast-moving environment of sustainability reporting in particular, that qualification by experience may become more relevant in the coming years.</p> <p>Definition of expert and external expert:</p> <p>The definition of “Expert” is intentionally broad and recognizes that an expert might be needed when the PA or SAP lacks sufficient expertise to perform a professional activity or service. However we believe that definitions in international standards should be consistent and aligned where possible. In that context, we question whether it is necessary to provide definitions specific to the IESBA Code and believe that the definitions provided in the IAASB standards are sufficient for the purpose of Code and should be used.</p> <p>The two standard setting boards should work jointly on definitions to ensure that they are appropriate and suitable for audit, assurance and</p>
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		<p>ethical standards as the IAASB finalises its proposed ISSA 5000 and IESBA finalises its changes to the Code.</p> <p>We note that the explanatory memorandum specifically states that “another practitioner” is not considered to be an expert. This could be made clearer in the proposed application material.</p> <p>Distinguishing between audit team members and external experts</p> <p>We believe that the distinction between internal experts, engagement team members and external experts is clear, with experts providing expertise outside of assurance. However, further clarity could be provided over the status of subcontractors. For example, if a firm contracts with a subcontractor to fulfill a specific skills requirement, would these individuals be considered to be experts or team members?</p> <p>The flowcharts in Appendix 1 to the explanatory memorandum would be helpful if included in the Code as guidance. However, the flowcharts could be enhanced by clarifying the difference between “engaged” and “employed”.</p>
	PwC	<p>Definition of expertise</p> <p>Concerning the proposed new definition of “expertise,” we understand the IESBA’s logic in referring only to the components of “knowledge and skills” versus “experience,” on the basis that experience is a complementary factor that strengthens confidence in the expert (Explanatory Memorandum (EM) paragraph 34). However, this proposal would create a difference with the existing definition of expertise in ISA 620 and, on balance, we do not believe there is a sufficiently persuasive reason to make this change and support remaining aligned with the existing ISA definition. This achieves the objective in the EM (paragraph 29) to avoid conflict with ISA 620 or other relevant IAASB standards.</p> <p>Definition of expert and external expert</p> <p>Similar to the definition of expertise, we believe the existing definitions of “auditor’s expert” and “management’s expert” in ISA 620 provide sufficient and clear guidance that should be leveraged for the purposes of the IESBA’s standard (at least as it applies to audit and assurance engagements), versus establishing separate definitions in the Code for “expert” and “external expert.” We would, therefore, recommend the IESBA align with those definitions in the final pronouncement, as they apply to audit and assurance engagements.</p> <p>Additionally, the proposed first sentence of the revised external expert definition refers to the employing organization or firm to which a “professional accountant” belongs, yet no reference is made to the employing organization or firm to which a “sustainability assurance practitioner” belongs. There is, therefore, an apparent inconsistency in how these terms are being used that we recommend is clarified.</p> <p>With regards to Appendix 1, Flowchart for Experts Used in an Audit Engagement, of the EM, we believe that it presents apparent inconsistencies with the revised definition of external expert. The first sentence of the external expert definition provides that an individual with expertise outside of the PA or SAP’s competence that is engaged by the PA or SAP is an external expert. The definition goes on to provide that, in an audit or assurance engagement, the external expert would be an individual whose expertise is in an area other than</p>

		<p>auditing or accounting. The definition correctly states that an external expert is not an engagement team member or audit team member. The flowchart in Appendix 1 appears to contradict this conclusion by inferring that the expert can be an engagement team member or audit team member.</p> <p>Additionally, the second flowchart in Appendix 1 of the EM appears to incorrectly imply that an “internal expert” is not an engagement team member, which would be contrary to extant Code paragraph 400.11.</p> <p>Based on the apparent inconsistencies between the flowcharts, the proposed definition of an external expert, and existing Code guidance, we recommend the IESBA does not include the flowcharts in the Basis of Conclusions or the final pronouncement, unless they are revised in order to address these inconsistencies.</p> <p>Furthermore, we believe there is room for clarification regarding the application of the definitions of expert and external expert with respect to the use of subcontractors in a non-assurance services engagement. These types of arrangements might occur in order to supplement the PA’s or SAP’s staffing needs, or as a result of a client’s request to bring specific expertise to the project where the client prefers one contract with a firm managing all workstreams, including those delivered by the experts. We recommend that the IESBA clarifies, in paragraph 390.4 A4 and/or in the Basis for Conclusions, that not all individuals who are engaged through a subcontracting or similar arrangement would meet the definition of an external expert unless they were engaged to provide services not within the PA’s or SAP’s competence and their work is used by the PA or SAP in provision of the non-assurance service engagement.</p> <p>Additionally, we believe that proposed paragraph 390.4 A3 is written with an audit and assurance focus, even though it is intended to cover all professional services. We recommend that it be tailored to include a wider range of examples to address non-assurance services. Examples to consider include the following:</p> <ul style="list-style-type: none"> <li>Provision of industry or market subject matter expert knowledge;</li> <li>Provision of regulatory advice on services concerning a regulated industry;</li> <li>Provision of expert witness service on a niche area as part of the litigation support; and/or</li> <li>Review of significant capital projects.</li> </ul> <p>Similarly, since proposed paragraph 5390.4 A3 repeats virtually the same examples as proposed paragraph 390.4 A3, we recommend that the IESBA consider tailoring those examples to sustainability assurance engagements.</p>
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**Professional Accountancy Organizations (PAOs)**

	CNCC- CNOEC	<p>The distinctions in the IESBA code between the different types of experts used by auditors are already very intricate in the extant code.</p> <p>A first segregation is based on the juridical nature of the relationship between the expert and the firm, distinguishing whether the expert is</p>
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		<p>employed or engaged by the firm.</p> <p>Then, amongst the experts engaged by the firm, a second segregation is based on the nature of the work they perform, with three different possibilities:</p> <p>If they perform audit procedures, they are members of the engagement team;</p> <p>If they provide consultations in relation with the audit engagement, they are members of the audit team;</p> <p>If they assist the auditor in obtaining sufficient appropriate audit evidence, they are external experts and therefore neither engagement team nor audit team members.</p> <p>We understand that this complex set of definitions results from the work already done by IESBA on the definitions of engagement and audit teams. We believe that a much simpler distinction between experts employed by the firm (internal experts) and experts engaged by the firm (external experts) would have been much clearer for practitioners on the field.</p> <p>Being where we are, we see that IESBA did not want to simplify and streamline its approach to the use of experts, and we wish to draw the attention of the IESBA to the following consequences.</p> <p>The introduction of three new sections in the code addressing using the work of an external expert, forces practitioners to follow exactly the path of the code towards experts engaged by the firms, to determine which ones are members of the engagement team, which are members of the audit team, and which are actually what IESBA calls “external experts.”</p> <p>We believe that it will be very difficult for practitioners and staff on the field to understand the intricacies of the classification of experts and apply the different rules of independence and/or objectivity applying to each category.</p> <p>We are therefore not favorable to this further complexification of the Code brought by the ED.</p>
	Pennsylvania Institute of CPAs	Overall response: No, with comments. The committee is concerned that certain of the proposed new and revised definitions in the glossary are not aligned with the definitions included in the International Standards on Auditing promulgated by the IAASB.
<b>Agree</b>		
<b>Academia and Research Institutes</b>		
	College of Public Accountants Costa Rica	We agree with the provisions on the proposed glossary and the assessment of competence, capabilities and objectivity.

<b>Accounting Firms and Sole Practitioners</b>		
	PKF	We support the proposals.
	RSM International	Yes, we support the proposals set out in the glossary concerning the proposed new and revised definitions.
<b>Professional Accountancy Organizations (PAOs)</b>		
	Asociacion Interamericana de Contabilidad	Yes, we agree with the improvements and clarifications regarding the definitions proposed in the Glossary.
	IBRACON	We support with the IESBA's proposals set out in the glossary considering that the new and revised definitions will be reflected in all international standards. It is important to emphasize that these definitions are aligned with all standards which refer to using these terms.
	Korean Institute of Certified Public Accountants	The KICPA supports the proposals.
	MICPA (Malaysia)	We agree with the proposals set out in the glossary concerning the proposed new and revised definitions.
<b>Public Sector Organizations</b>		
	UNCTAD's Latin America Regional Alliance	100% of respondents supported the proposal
<b>Regulators and Oversight Authorities, Including MG members</b>		
	Botswana Accountancy	We agree with the proposal as the definitions are clear and concise.

	Oversight Authority	
	National Association of State Boards of Accountancy (US)	NASBA supports the proposals set out in the glossary concerning the proposed new and revised definitions.

## QUESTION 2

<p><b>Question 2: Do respondents support the approach regarding evaluating an external expert's competence, capabilities and objectivity? Are there other considerations that should be incorporated in the evaluation of CCO specific to PAIBs, PAPPs and SAPs?</b></p>		
	Respondent	Extract of Comment
<p><b>Agree With Comments/ Mixed Views</b></p>		
<p><b>Academia and Research Institutes</b></p>		
	<p>Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand (AFAANZ)</p>	<p>We believe that there are opportunities for the IESBA to further enhance the approach regarding the evaluation of an external expert's competence, capability and objectivity.</p> <p>We encourage the IESBA to retain reference to experience in the definition of expert (see comments on Question 1) as this will appropriately extend the breadth of the evaluation to cover the nature of the knowledge and skills underlying the expert's competence and capability.</p> <p>We further encourage the IESBA to consider cross referencing application material relating to paragraph R390.6 to biases that may impact the exercise of professional judgment when evaluating the external expert's competence, capabilities and objectivity (i.e., paragraph 120.12 A1 to paragraph 120.12 A3 in Part 1 of The Code). We are particularly concerned with the potential for overconfidence bias to</p>

		<p>negatively intrude on these judgments. We support the increased attention to capabilities.</p> <p>As noted in our response to Question 1, we are strongly of the view that reference to experience when discussing expertise is necessary and will appropriately expand the breadth with which an expert’s competence and capability is evaluated. This will further allow the listed factors in paragraph 390.6 A2, which explicitly and implicitly refer to experience, to realise their full potential.</p> <p>In addition, academic research provides an insight into the effectiveness and accuracy with which accountants (predominantly auditors) assess the competence of others (e.g., Kennedy and Peecher 1997; Jamal and Tan 2001; Tan and Jamal 2001, Harding and Trotman 2009; Han et al. 2011). A consistent finding of this research is that auditors are inaccurate and overconfident in their assessments of another’s competence. An overconfident assessment of another’s competence and capability represents a threat to the quality of the professional accountant’s work towards which the expert is contributing. Reference to the potential biases threatening the effective exercise of professional judgment, and actions that may mitigate the effect of this bias (i.e., paragraph 120.12 A1 to 120.12 A3) will highlight the need for the professional accountant to be mindful of overconfidence bias (and other potentially deleterious biases).</p> <p>We support the coverage of capabilities in paragraph 390.6 A3 in that research highlights the deleterious consequences of depletion and pressures on the professional accountant’s ability to exercise cognitive self-control (e.g., Baumeister et al. 1998) in the application of an expert’s knowledge and skills (see Hurley 2015 for a review). Considering the external expert’s capability / capacity to complete the work is a necessary and important consideration for the professional accountant and sustainability assurance practitioner.</p>
	<p>College of Public Accountants Costa Rica</p>	<p>We do support the approach to assessing the competence, capabilities or objectivity of an external expert.</p> <p>However, we consider it important that the bill clarifies that when an expert professional has a conflict of interest for performing work in an entity, he or she cannot be hired by a professional or firm to review his or her own work.</p> <p>Among the other considerations, we consider it important that in the sections where a list of documents, clarifications or others that the Professional must request for the evaluation and hiring of an expert are proposed, the request for additional information is not limited, even considering the jurisdiction in which the work is carried out.</p>
<p><b>Accounting Firms and Sole Practitioners</b></p>		
	<p>Association of the Italian Audit Firms</p>	<p>While we support the proposed approach to be applied to PAPPs and SAPs when performing audit and assurance activities, respectively, we disagree with extending the same approach to professional accountants in public practice (“PAPPs”) when providing NAS to non-audit clients.</p> <p>As far as the PAPPs and SAPs when performing audit and assurance activities are concerned, we believe that the approach is conceptually aligned with the existing provisions in ISA 620 and ISAE 3000 (Revised). In particular, we agree with the requirement that the PA shall have an inquiring mind, exercise professional judgment and use the reasonable and informed third party test. The proposed</p>

		<p>approach represents a more detailed and granular way for the assessment to be conducted and documented.</p> <p>The evaluation process is to be conducted through the lens of objectivity as stated in the proposed paragraphs 390.6 A4 and A6. We believe, also, that the proposed paragraph 390.6 A6 contains sufficient application material to guide the PA or SAP to obtain information to evaluate the external expert's objectivity.</p> <p>With respect to the additional requirements and application material in proposed paragraphs R390.8 to R390.11 for audit or other assurance engagements, we partially agree. In fact, while we agree with the evaluation of CCO from an ethics perspective, we have some concerns about the greater rigor to evaluate objectivity against independence attributes for external experts in an audit and other assurance context. We understand that the proposed independence requirements for external experts whose work contributes to the audit/assurance opinion address the public interest expectations, but we also believe that the proposed paragraphs R390.8 to R390.11 need to be revised. In particular, we have concerns about the external expert's CCO evaluation with regard to the expert's immediate family member ("IFM") and at the organizational level and about the time period for which the external expert provides the information for the evaluation of its objectivity. The above factors, thus formulated, are, in our view, too broad.</p> <p>As far as the time is concerned, Assirevi believes considerations should be given to the period in which the risk of having a non-objective external expert is most relevant. According to Assirevi, the risk exists when the expert is performing his activities and can therefore affect the work of the auditor. In light of the above, the time period for which the external expert provides the information for the evaluation of his objectivity should be limited to the external expert engagement period.</p> <p>With reference to the organizations, it should be made clear that this term only refers to the employer entity, without any extension to the related group or network, if any.</p> <p>Lastly, we think it is excessive the extension of the requirements to the IFM. Such extension should be limited to specific circumstances and not extended to all cases listed in the specified paragraph.</p> <p>With specific regard to the evaluation of external expert's objectivity when the PAPPs are involved in NAS for non-audit clients, we do not support the need for a similar assessment as there is no such needs. When providing NAS to non-audit clients, the PAPP must in any case comply with fundamental principles and therefore there is no need to assess the objectivity of their external experts.</p>
	<p>BDO</p>	<p>BDO supports the approach regarding the evaluation of an external expert's competence, capabilities and objectivity.</p> <p>BDO agrees with the conceptual alignment to the existing provisions in ISA 620 and ISAE 3000 (Revised), which facilitates the interoperability with both standards and reduces potential application inconsistencies. In particular, we agree with the requirement that the professional accountant shall have an inquiring mind, exercise professional judgment and use the reasonable and informed third party test.</p> <p>BDO agrees with the evaluation of CCO from an ethics perspective, but we have some concerns about the greater rigor to evaluate</p>

		<p>objectivity against independence attributes for external experts in an audit and other assurance context (paragraphs R390.8 to R390.11).</p> <p>Recommendations</p> <p>BDO believes that it would be appropriate to revisit the evaluation of objectivity against independence attributes with a focus on the individuals to whom the objectivity pertains, as well as the period to which the objectivity applies.</p> <p>Also see our response to question 4 below.</p>
EY		<p>We are generally supportive of the IESBA's approach. We have the following comments for the IESBA's consideration.</p> <p>(A) We support a requirement in the Code to evaluate whether the external expert has the necessary CCO for the PA's / SAP's purpose for all professional services. What is considered by the PA / SAP to be "necessary" will depend on several factors, including the nature of the service being provided, the type of expertise needed, the role of the external expert in the service provided by the PA / SAP, the availability of experts, and the significance of the external experts work in the context of the PA's / SAP's service, among other considerations. Therefore, before the PA /SAP can evaluate whether the external expert has the necessary CCO, the PA / SAP will first need to determine what level of CCO is necessary, based on the unique circumstances. We believe it would be helpful to include the concept of first determining what level of CCO is necessary in proposed paragraph R390.6 / R5390.6, and with regard to audit, other assurance and sustainability assurance engagements this consideration of the necessary level of CCO should be coordinated with the IAASB so that appropriate revisions to relevant IAASB standards (e.g., ISA 620, ISREs, ISAEs, and ED ISSA 5000) can be considered concurrently with the IESBA's proposals.</p> <p>We also believe it would be helpful to make the following edit in proposed paragraph R390.12 (b) / R5390.12 (b) to make it clear that the evaluation is based on the level of CCO the PA /SAP determines to be necessary for the PA's / SAP's purpose:</p> <p>R390.12 (b) / R5390.12 (b)</p> <p>The [accountant / practitioner] determines that the external expert is does not have the necessary competencet, capabilitiesle or objectivitye for the [accountant's / practitioner's] purpose.</p> <p>(B) Because a PA will engage an external expert when the PA does not possess the necessary competencies and capabilities, the need to perform the evaluation of competence and capability of the external expert is self-evident and we believe the factors included in proposed paragraphs 390.6 A2 – A3 / 5390.6 A2 – A3 are relevant to this evaluation for all professional services. However, there are aspects of the factors in proposed paragraph 390.6 A4 / 5390.6 A4 for evaluating the objectivity of an external expert, including the application material in proposed paragraph 390.6 A5 / 5390.6 A5, we believe should be further considered by the Board, especially when the external expert is engaged in the context of providing non-assurance services ("NAS"). In its description of objectivity in R112.1, the Code focuses on three elements: bias, conflict of interest and undue influence/reliance. We believe that these three elements are relevant in the evaluation of objectivity with regard to an external expert engaged by the PA / SAP in providing all professional services. However,</p>

two of the factors listed in proposed paragraph 390.6 A4 / 5390.6 A4 go beyond these three elements of objectivity as follows:

Whether the external expert is subject to ethics standards issued by a body responsible for issuing such standards in the external expert's field of expertise.

External experts can come from diverse fields. While some of these fields will be subject to a standard-setting body, and such standards might cover ethical practices in the performance of their professional activities, such standards would generally not include objectivity requirements similar to those of the IESBA Code. The consideration of whether the external expert is subject to ethics standards would only be relevant for the PA's / SAP's consideration if such ethics standards addressed the relevant objectivity requirements.

Therefore, we believe this factor should be removed from proposed paragraph 390.6 A4 / 5390.6 A4, as its inclusion as a factor to consider might inadvertently lead a PA / SAP only to consider whether the expert is subject to ethical standards rather than whether the expert has the necessary objectivity.

Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work.

As discussed in our response under (A) above, a PA / SAP needs to first determine what the necessary level of objectivity is, which will depend on the service for which the external expert is engaged and other factors. The fourth bullet point of proposed paragraph 390.6 A4 / 5390.6 A4 does not give recognition to this, nor does it recognize that the circumstances of the external expert's previous judgements or activities are relevant to the consideration of objectivity. For example, in the context of NAS, it can often be the case that the NAS provided by the PA / SAP involves elements of, or extensions to, services that an external expert previously provided to the same client. In these cases, having the PA / SAP engage 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 / SAP's NAS. We do not believe that this type of self-review threat evaluation of objectivity, and the application material in proposed paragraph 390.6 A5 / 5390.6 A5, should apply when evaluating the objectivity of an external expert engaged by the PA / SAP in the context of NAS, as long as there is no undue reliance by the external expert on the previous work.

We believe, however, this self-review threat evaluation of objectivity would be relevant when evaluating the external expert's objectivity in the context of audit, other assurance and sustainability assurance engagements, and would therefore suggest that this consideration be moved to the Audit or Assurance Engagements subsection.

Further, as currently proposed, it is not clear in the fourth bullet point of proposed paragraph 390.6 A4 / 5390.6 A4 whether the threat being evaluated relates to the external expert's evaluation of or reliance on previous judgements or activities in relation to (i) only the entity for which the external expert is performing the work; (ii) to all entities for which the external expert has performed similar work; or (iii) in the case of a recurring service to the same entity, to multiple periods when the external expert relies or evaluates the previous

	<p>period’s judgement or activities. For example, if the external expert provided the same or similar expertise to different entities based on the expert’s proprietary data or benchmarks, standard calculation methodology, or proprietary solutions set, and therefore is relying on previous judgements made or activities performed at other entities, we do not believe this would prevent the external expert from being objective with regard to the entity for which the external expert performs the work. While the examples provided in proposed paragraph 390.6 A5 specifically reference the entity for which the external expert is performing work, we believe it should be made clear in 390.6 A4 that the self-review threat evaluation of objectivity relates only to previous judgements made or activities performed by the external expert for the entity for which the external expert is performing the work.</p>
<p>Grant Thornton</p>	<p>As we are supportive of the need for the PA to assess the external expert’s CCO, we do not believe that it should be a requirement for the PA to request information on all of the items listed in R390.8 (and corresponding sections for PAIBs and SAPs). As noted in the flow chart in the explanatory memorandum, the external expert is neither an audit team member nor an engagement team member. Requesting the PA to obtain information is almost contradictory to the conclusions in the flow chart.</p> <p>Importantly, the line between ethical and performance standards should not be blurred. When performing an audit, the ISAs require the PAs to evaluate an expert’s competence, capabilities, and objectivity. PAs performing engagements under these performance standards will be confused about the interoperability between the performance standards and the ethical standards.</p> <p>In addition, external experts are typically not part of the accounting profession or familiar with the independence rules and terminology. When requesting the information in R390.8, the responses may be inconsistent, not in accordance with the intended request or just not understood at all. Terms such as material, immediate family members, close business relationships, and the like can be subjective and require the skills and experience of a PA to understand them in the context of independence.</p> <p>There is a risk that external experts will find these requests far reaching, time consuming and invasive (especially for immediate family members) and remove themselves from providing the needed expertise to the accounting profession.</p> <p>The proposal is silent as to what happens if the external expert or immediate family member does in fact have any relationship as noted in R390.8. Does that mean that the expert is not competent, capable, or objective? We would argue that it does not.</p> <p>We believe that the PA should assess the external experts CCO but in accordance with the conceptual framework and not prescriptive as written in the requirements. The items listed in R390.8 could in fact be used to help guide the PA as to considerations in the assessment of the external expert’s CCO but obtaining information on these independence related situations, including for immediate family members, is above and beyond what is needed for a non-audit or engagement team member. We suggest removing the requirement and including this information as application material. As noted in our letter, this requirement is akin to the required independence of a PA performing audits. These requirements are not appropriate for external experts being used by a PA in the delivery of professional services.</p> <p>Following a principle-based approach, grounded in the conceptual framework, is appropriate for the CCO assessment.</p>

<p>KPMG</p>	<p>We support the Code addressing the need for an external expert to have CCO in relation to the work they are engaged to perform by a professional accountant (PA) or sustainability assurance practitioner (SAP). For professional accountants in public practice (PAPPs) and SAPs, this supports the current audit and sustainability assurance engagement requirements in ISA 620 and the proposed ISSA 5000. We also agree there should be an evaluation of the external expert's CCO.</p> <p>In paragraph 29 of the EM, the IESBA notes they "endeavored to avoid... incorporating provisions relating to the performance of audit or sustainability assurance procedures in the proposals versus encapsulating ethics-related considerations."</p> <p>Still, in setting out the approach for evaluating CCO, the proposals in the Exposure Draft go beyond ethics standards and recreate the performance standards for audits and sustainability assurance engagements. This is because while the evaluation of external experts does not relate to the performance of audit or sustainability assurance procedures, it does form part of the audit or sustainability assurance work to be undertaken by the PAPPs or SAPs as required in ISA 620 and the proposed ISSA 5000. For instance, the factors to evaluate the external expert's CCO in paragraphs 390.6/5390.6 A2, A3, A4 and A6 are already captured in ISA 620 paragraphs A14 through A20 and ISSA 5000 paragraphs A108 through A116.</p> <p>We believe the preferable approach for a PAPP and SAP is to defer to the performance standards for how the evaluation of CCO of an external expert should be performed as those standards govern the work to be completed by the engagement team and the judgment to be applied when obtaining and evaluating information to be used as evidence in the audit or assurance engagement. If an external expert is retained by the PAPP or SAP, the audit partner or engagement leader remains ultimately responsible for the work of the external expert. They are expected to have sufficient understanding to be able to decide whether the external expert's work is appropriate for their purposes and have the skepticism to challenge it if needed.</p> <p>At the same time, we do understand that in trying to develop framework neutral ethics standards, the IESBA is not assuming that the evaluation factors are in all possible audit or sustainability assurance frameworks. Therefore, while we encourage any duplication of the examples and factors in ISA 620 and ISSA 5000 to be minimized in the Code, if the examples and factors in evaluating the external expert's CCO in paragraphs 390.6 A2-A6 and 5390.6 A2-A6 are retained, we encourage the related language used, especially in Part 5, to be as close to the ISA/ISSA language as possible. This approach will prevent varying interpretations that may result due to differences in wording between the ethics standards and the performance standards.</p> <p>As an example, the factor in 290.6/390.6/5390.6 A2 could be edited to mirror ISA 620 A16 and substantially align with ISSA 5000 A111 by stating:</p> <p>"Whether the external expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation."</p>
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		<p>If the evaluation factors in Part 5 are retained, we also note the following specific comments related to the proposed language:</p> <p>In evaluating competence, how would the PA/SAP determine "Whether the external expert can explain their work, including the inputs, assumptions and methodologies used" as this is presumably a list of factors that should be considered before engaging the external expert? [paragraph 290.6/390.6/5390.6 A2]</p> <p>In evaluating capabilities, how would the PA/SAP determine "Whether the external expert has sufficient time to perform the work"? We would expect that any response from the external expert related to sufficient time would need to be taken at face value by the PA or SAP unless there is other guidance that can be given. [paragraph 290.6/390.6/5390.6 A3]</p> <p>In evaluating objectivity, how would the PA/SAP determine "Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work"? [paragraph 290.6/390.6/5390.6 A4]</p>
	<p>Mazars</p>	<p>We support the proposed approach to evaluating an external expert's CCO for all professional services and activities (See our comments in question 4 regarding audit and other assurance engagements). We have not identified any additional considerations that should be incorporated.</p> <p>However, we note that of the eight potential sources of information for this evaluation in proposed 390.6.A6/5390.6.A6, only one involves obtaining information from the external expert directly, by discussion. The extent of the work effort required to obtain information to support the evaluation is therefore not clear and could be onerous given the range of potential sources quoted. This is especially important in regard to audit and assurance services given the higher level of interest and the extent of information requested regarding the expert's objectivity (see also comments in question 4). Greater clarity and guidance on the work effort required, over and above requesting information directly from the expert, would be highly beneficial.</p> <p>We agree with the IESBA that the Code should not preclude the external expert from beginning the work while the CCO evaluation proceeds, on operational grounds.</p>
	<p>Mo Chartered Accountants, Zimbabwe</p>	<p>We concur that evaluation of CCO should be performed prior to commencement. If, after acceptance matters come to light that cast doubt on the previous confirmation, then to the greatest extent possible the matters have to be investigated and probed and may result in the previous assertions regarding COO to be nullified. Irregularities, misconduct or contradictory matters may arise with the work of the expert and judgment has to be brought to bear on the impact such matters will have and the appropriate course of remedial action.</p>
	<p>PKF</p>	<p>We generally agree, but please refer to our comments in response to Q4.</p>
	<p>PwC</p>	<p>Principles-based approach</p>

		<p>Conceptually, we support the principles described in paragraph 60 of the EM related to proposed paragraph 390.6 (pertaining to all professional services) that discuss the importance of the exercise of professional judgement by the practitioner and the IESBA’s view that all relevant factors need to be weighed in evaluating the CCO of an external expert. However, we have concerns that the presentation of the factors, as written, in proposed paragraphs 390.6 A2-A6 might suggest that all factors are relevant, and require an evaluation and documentation for each factor, even for factors that are not applicable to the given external expert. Accordingly, we recommend changing the current proposed language from “factors that are relevant” to instead state “factors that might be relevant” in order to better indicate that the applicability of factors is subject to the PA or SAP’s professional judgement rather than being an all-inclusive list.</p> <p>Notwithstanding the above, in addition to the factors described in proposed paragraphs 390.6 A2-A6, we believe it is important, in developing additional requirements that are intended to be applied in a scalable manner, to also address the nature of the engagement as well as the significance of the expert’s work to the overall engagement. We also believe it is necessary for the Code to explicitly acknowledge the fact that existing professional standards might require the evaluation of the adequacy of the work of an expert (e.g., the IAASB’s standards). By including the significance of the expert’s work as a consideration in the PAs or SAPs evaluation, when there are threats to objectivity of an expert whose work is not significant to the overall engagement, the PA or SAP might be able to identify safeguards that would enable them to continue to make use of that work alongside other procedures planned by the practitioner.</p> <p>In the context of audit and assurance (including sustainability assurance) engagements, as described in paragraph 51 of the EM, a PA or SAP needs to perform procedures over such work to determine its sufficiency and appropriateness as evidence and can decide not to use the work of an expert as part of the evidence supporting the audit opinion or assurance conclusion. Therefore, this long-standing approach in the auditing and assurance standards itself acts as a further safeguard to any threats to objectivity that may be identified that, when not significant, could reasonably enable the practitioner to conclude it remains appropriate to use the work of that expert. This principles-based approach will be important to retain as the population of subject matter specific experts, and the extent to which they are used to support quality in audit and assurance engagements, continues to evolve. See also our related comments in respect of paragraph 390.12 in response to question 3.</p> <p>Whether the external expert is in good standing</p> <p>In proposed paragraph 390.6 A2, bullet 2 (whether the external expert belongs to a relevant professional body and, if so, whether the external expert is in good standing), it is unclear how the concept of “good standing” is expected to be measured. We suggest rephrasing the factor to focus on whether the external expert belongs to a professional body and, if so, whether there are any indicators (for example public inspection findings) that the external expert might not be in good standing.</p>
	<p>RSM International</p>	<p>We support the approach regarding evaluating an external expert’s competence, capabilities and objectivity but have the following suggestions and comments that we believe would enhance clarity and assist implementation:</p> <p>The proposed requirement R390.6 states: “The professional accountant shall evaluate whether the external expert has the necessary</p>

	<p>competence, capabilities and objectivity for the accountant’s purpose”.</p> <p>This is consistent with International Standard on Auditing (“ISA”) 620, Using the Work of an Auditor’s Expert, paragraph 9 as it recognises that the assessment of whether or not an external expert is competent, capable and objective needs to be completed with respect to the particular work that the individual is being engaged to perform. For example, if an external expert provides a service to an entity where they hold a financial interest, the assessment of objectivity would differ depending on whether the expert’s service contributed to an audit/assurance engagement compared to a non-assurance service.</p> <p>We note that paragraph 390.15 A1 includes: “The nature of the professional service for which the external expert’s work is intended to be used” as a factor to consider in evaluating the threats to compliance with the fundamental principles arising from using the work of an external expert. However, this is not included in the subsection of 390 on evaluating the external expert’s CCO. We, therefore, recommend revising paragraph 390.6 A4 within the subsection, “Evaluating the External Expert’s Competence, Capabilities, and Objectivity”, as follows as one of the factors in evaluating the objectivity of the external expert:</p> <p>390.6 A4            Factors that are relevant in evaluating the objectivity of the external expert include:</p> <p>The type of service for which the external expert is providing assistance.</p> <p>We believe that the application guidance in subsection, “Potential Threats Arising from Using the Work of an External Expert” (paragraphs 390.14 A1 – 390.16 A2 of the ED), are needed in order for the professional accountant (“PA”)/sustainability assurance provider (“SAP”) to assess whether the external expert has the necessary CCO to perform the relevant activities and should be a part of the subsection, “Evaluating the External Expert’s Competence, Capabilities and Objectivity.” However, as currently drafted, this has been positioned in its own subsection, the first paragraph of which 390.13 A1 states:</p> <p>“Threats to compliance with the fundamental principles might still be created from using the work of an external expert even if a professional accountant has satisfactorily concluded that the external expert has the necessary competence, capabilities and objectivity for the accountant’s purpose.”</p> <p>It might be inferred from this that the PA/SAP only performs the threats and safeguards analysis if they have confirmed that the external expert has the necessary CCO to perform the relevant activities. We therefore recommend that application guidance in the subsection, “Potential Threats Arising from Using the Work of an External Expert” (paragraphs 390.13 A1 – 390.16 A2) is moved as a subsection within the subsection, “Evaluating the External Expert’s Competence, Capabilities and Objectivity”, and before paragraph R390.12 as follows:</p> <p>Evaluating the External Expert’s Competence, Capabilities, and Objectivity</p>
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		<p>All Professional Services</p> <p>R390.12 The professional accountant shall not use the work of the external expert if:</p> <p>(a) The accountant is unable to obtain the information needed for the accountant's evaluation of the external expert's competence, capabilities and objectivity; or</p> <p>(b) The accountant determines that the external expert is not competent, capable or objective.</p> <p>Potential Threats Arising from Using the Work of an External Expert Potential Threats Arising from Using the Work of an External Expert</p> <p>All Professional Services</p> <p>390.132 A1 Threats to compliance ...</p> <p>Identifying Threats</p> <p>390.143 A1 Examples of facts and circumstances ...</p> <p>Evaluating Threats</p> <p>390.154 A1 Factors that are relevant ...</p> <p>Addressing Threats</p> <p>390.165 A1 An example of an action ...</p> <p>390.165 A2 Examples of actions ...</p> <p>All Professional Services</p> <p>R390.1216 The professional accountant shall not use the work of the external expert if:</p> <p>The accountant is unable to obtain the information needed for the accountant's evaluation of the external expert's competence, capabilities and objectivity; or</p> <p>The accountant determines that the external expert is not competent, capable or objective.</p> <p>The proposed section 390 is incremental to the requirements in ISA 620. Paragraph A20 of ISA 620 states:</p> <p>"A20. When evaluating the objectivity of an auditor's external expert, it may be relevant to:</p> <p>(a) Inquire of the entity about any known interests or relationships that the entity has with the auditor's external expert that may affect that</p>
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	<p>expert's objectivity.</p> <p>(b) Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level.</p> <p>Interests and relationships that it may be relevant to discuss with the auditor's expert include:</p> <ul style="list-style-type: none"><li>• Financial interests.</li><li>• Business and personal relationships.</li><li>• Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.</li></ul> <p>In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor's external expert about any interests or relationships with the entity of which that expert is aware.”</p> <p>We also note that the exposure draft of International Standard on Sustainability Assurance (“ISSA”) 5000, General Requirements for Sustainability Assurance Engagements, issued in August 2023 by the International Auditing and Assurance Standards Board (“IAASB”) does not address these incremental requirements and reflects the language of ISA 620 mentioned above in proposed paragraph A113.</p> <p>Although we support the incremental requirements proposed by the IESBA, subject to our comments included in this letter, we acknowledge that there are jurisdictions that may use the IAASB standards but have not adopted the International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code of Ethics”). Accordingly, we believe that the IESBA should work with the IAASB to encourage that either:</p> <p>any incremental requirements for assessing the CCO of an external expert be included in each of the IAASB's suite of standards (i.e., ISA 620, International Standard for Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements, International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, International Standard on Related Services 4000, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information, and ISSA 5000), or</p> <p>the IAASB reference to “relevant ethical standards, such as the IESBA Code of Ethics” into each of its suite of standards and that these changes become effective concurrently.</p> <p>The proposed section 290.6 A5 (which applies to professional accountants in business (“PAIBs”)) states:</p> <p>“Other interests that might impact the level of threat to an external expert's objectivity include significant financial interests such as those arising from compensation, fees or incentive arrangements linked to financial and non-financial information and decision making. “</p> <p>It is unclear why this would not also apply for external experts providing services to support a client engagement of a PAPP or a</p>
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		<p>sustainability assurance practitioner (“SAP”), and we recommend that this application guidance is also included in sections 390 and 5390 respectively.</p>
<p><b>Independent National Standard Setters</b></p>		
	<p>Accounting Professional &amp; Ethical Standards Board (Australia)</p>	<p>APESB supports the approach regarding evaluating an external expert’s competence, capabilities, and objectivity. However, APESB notes that the proposed provisions do not provide any guidance on the timing of the CCO evaluation of the external expert. While this is included in the Explanatory Memorandum (paragraphs 65 to 66), APESB is of the view that this guidance should be included in the body of the Code.</p> <p>Some stakeholders at the APESB roundtable were concerned about the statement in paragraph 66 of the Explanatory Memorandum that the CCO could be undertaken simultaneously while the external expert commences work.</p> <p>Stakeholders were of the view that the CCO evaluation should be undertaken in conjunction with the process of agreeing to the terms of engagement with the external expert, as simply requiring the provision of information for the COO evaluation by the external expert does not guarantee the external expert will be considered objective. Stakeholders were concerned about the consequences, such as unnecessary costs or time delay, due to the external expert subsequently being evaluated as not being competent, capable or objective.</p> <p>APESB has set out specific concerns relating to the approach for evaluating CCO for Audit or Other Assurance Engagements in question 4 below.</p>
	<p>New-Zealand Auditing &amp; Assurance Standard Board</p>	<p>Yes. Overall, we support the approach within the Exposure Draft to evaluating an external expert’s objectivity. However, we highlight the following considerations which we believe are important to ensure appropriate considerations are made by Professional Accountants/Sustainability Assurance Practitioners (PAs/SAPs) when evaluating external experts, particularly in relation to competence:</p> <p>Evaluating an external expert’s competence</p> <p>Sections R390.6 and R5390.6 requires the PA/SAP to evaluate whether the external expert has the necessary competence, capabilities and objectivity for the PA/SAP’s purpose.</p> <p>We consider that competence and objectivity are of equal importance, particularly for sustainability assurance engagements, where the breadth of competence is wide, and assurance practitioners may be less familiar with the specific competences needed by external experts.</p> <p>We recommend that the focus on competence considerations could be strengthened in section 5390.6 A2. It is not explicit that a PA/SAP should consider the specific context in which an external expert’s competence and capabilities are to be applied, and consideration of the location(s) and the environmental, economic, social and cultural conditions that are relevant to the engagement.</p>

		<p>We recommend that the IESBA amend section 5390.6 A2 to explicitly reference contextual and local considerations as follows– “Whether the external expert’s credentials, education, training, experience and reputation, after consideration of location-specific environmental, economic, social or cultural factors, are relevant to or consistent with, the nature of the work to be performed.”</p> <p>Evaluating an external expert’s capability</p> <p>Sections 390.6 A3 and 5390.6 A3 outline factors that are relevant in evaluating the capabilities of the external expert and refers to factors including the resources available to the external expert, and whether the external expert has sufficient time to perform the work.</p> <p>We recommend that the IESBA should include additional examples of ‘capability’ within the Code to help PAs/SAPs distinguish between capability and competence-related matters. We recommend adding other aspects of capabilities beyond resourcing and capacity matters, such as considerations around the experience the external expert has in applying their skills and knowledge to the specific service provided.</p> <p>Evaluating an external expert’s objectivity</p> <p>Sections R390.8 and R5390.8 requires that the PA/SAP shall request the external expert to provide information around their objectivity in relation to the entity at which the external expert is performing the work and with respect to the period covered by the assurance report and the engagement period.</p> <p>We support the IESBA’s proposal that if an external expert is not objective, the work of such expert cannot be used in any professional service or activity. We do note that many external experts work in well-established industries and are subject to professional and ethical processes in their own fields, which require them to consider conflicts of interest and implement safeguards to maintain their own objectivity.</p> <p>We recommend that the IESBA should require a PA/SAP to request further information from external experts about any safeguards or mitigations that the external expert may have put in place to address potential objectivity threats. This will allow for PA/SAPs to perform a more informed assessment of objectivity, recognising that experts may have, and be applying, their own professional and ethical obligations.</p>
<b>Investors and other Users</b>		
	<p>Securities Analysts Association of Japan Sustainability Reporting</p>	<p>We basically support the proposed approach regarding evaluating an external expert’s competence, capabilities and objectivity (CCO).</p> <p>In assurance engagements on sustainability information covering a wide range of topics, it is expected that the work of external experts may be used more than in audits of financial statements and that there is a shortage of experts in the field of sustainability. In this regard, we welcome the publication of the ED at the same time as the IESSA Exposure Draft, as it will increase discipline in the use of the work</p>

	<p>Committee</p>	<p>of external experts.</p> <p>However, we have the following suggestions for improvement:</p> <p>We encourage the IESBA to provide guidance and an explanatory memorandum with illustrative examples of the evaluation methods to reduce diversity in practice among sustainability assurance practitioners and to improve the understandability of users. As practical experience is expected to accumulate rapidly in the early stages of sustainability assurance, we also encourage the IESBA to revise the guidance and explanatory memorandum in a timely manner.</p> <p>We suggest that the IESBA encourage the International Auditing and Assurance Standards Board (IAASB) to require disclosure of a summary of the work of the main external experts used and the CCO evaluation of those experts. In our responses to the IAASB's Exposure Draft of ISSA 5000, we argued that a summary of the use of external experts should be provided in the assurance report. The explanation in the assurance report of the CCO evaluation of the external experts, in addition to their work, would improve the transparency of the use of the work of the external experts.</p> <p>As the use of the work of external experts is important, we encourage the IESBA to work with the International Organization of Securities Commissions (IOSCO) on how the use of the work of external experts will be reflected appropriately in the supervision and monitoring of each jurisdiction. As there may be a need to require qualifications in some areas of expertise, we also encourage the IESBA to work with IOSCO on this matter.</p>
<p><b>Professional Accountancy Organizations (PAOs)</b></p>		
	<p>ACCA</p>	<p>We support the approach regarding evaluating an external expert's competence, capabilities and objectivity, noting the common language which stems from ISA 620 which provides guidance to auditors on how to appropriately use the work of an auditor's expert in the context of an audit engagement. We agree that the scope of the evaluation of objectivity should not be expanded to the client's value chain as this is not practicable in relation to sustainability assurance engagements under S5390.</p> <p>In the context of sustainability or other assurance engagements, the provision of information needed from the external expert for purposes of assisting the practitioner's evaluation of the external expert's competence, capabilities and objectivity is potentially extensive and requires an in-depth understanding of the terminology. This includes, for example, what self-interest, self-review or advocacy threats to compliance with the ethical principles exist and how they might be created if a sustainability assurance practitioner uses an external expert who does not have the competence, capabilities or objectivity to deliver the work needed for the professional service.</p> <p>We note that the language used in the ED-WEE is rooted in terminology and concepts used in the IESBA Code, ISA 620 in relation to PAPPs and International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information for SAPs. While this is necessary to ensure consistency in application of terms which PAIBs and PAPPs are likely familiar with, we acknowledge some non-PAs who are SAPs may not be familiar with certain terminology and</p>

	<p>concepts used. Therefore, we believe that SAPs who are non-professional accountant practitioners (NPAPs) may need additional implementation guidance for the practical application of the final agreed ED-WEE.</p> <p>Also, we are concerned that there may be a limited availability of experts. Because of public interest in being able to rely on experts, we understand that the ethical requirements cannot be lower in different jurisdictions or be adjusted by threshold, however it is important that the proposals are practicable, manageable for practitioners, audited entity, and the entity at which the expert is performing the work.</p> <p>We acknowledge the evolving nature of sustainability assurance and the need for multidisciplinary expertise and the evaluation of these experts. During our outreach, there were concerns raised about enforcement of the application of the evaluation of CCO, given the evolving nature of the sustainability regulatory landscape and the potential barriers to entry in the sustainability assurance area in general. There was also optimism about the growing interest in ethics in sustainability assurance and the role of standard setters in supporting education and practical application of the proposals. Overall, there is a sense of collaboration around ethics in sustainability assurance and a recognition of the importance of addressing these issues around the use of experts collectively and a consistent application of evaluation of CCO. The viewpoints discussed here equally apply to matters of innovation, and especially the role and regulation pertaining to the use of artificial intelligence by business.</p>
<p>CAANZ</p>	<p>We conceptually agree with the Code including a requirement to evaluate the appropriateness of the external expert using the CCO framework. We note, however, that competency is mostly a function of practise and experience which heightens our concerns regarding the exclusion of “experience” in the definition of an expert / expertise as discussed in our response to question 1 above.</p> <p>Please find below considerations for the IESBA regarding the evaluation of CCO.</p> <ul style="list-style-type: none"> <li>• The guidance material included in the EM is useful for understanding the purpose of the CCO test. We recommend that similar content be provided as NAM or included as AM in proposed paragraphs R390.6-.12 and R5390.6-.12.</li> <li>• To improve the flow of content applicable to ‘all professional services’, we recommend including a reference to proposed paragraphs R390.12/R5390.12 following 390.6 A6/R5390.6 A6 respectively.</li> <li>• We are concerned about potential practical challenges that may occur due to the CCO requirements applying to all experts regardless of the scope, importance, complexity or materiality of their work. Where the number of experts available is less than the demand for their services, the ability to meet the objectivity test may be difficult, particularly in smaller market economies. This may cause a detriment to the public interest where an expert cannot complete an engagement, or no suitable expert can be identified.</li> <li>• We are concerned with the appropriateness of the IESBA’s suggested solution of “using an expert from another jurisdiction (or) consulting with the appropriate regulatory or professional body (to) ascertain the proper next steps”. We highlight that CAANZ is not intending to offer this as a service to members, so this proposal may not be able to be operationalised in Australia or New Zealand.</li> <li>• In proposed section 290 there is no indication as to the period for which objectivity applies when a PAIB engages an expert.</li> </ul>

		<p>For example, if an objective expert was to take employment with an entity that was previously subject to their expert assessment or opinion after submission of the expert’s report but prior to the completion of an engagement, it is not clear whether they would continue to be considered objective.</p> <ul style="list-style-type: none"> <li>In proposed sections 390 and 5390 no guidance is provided with respect to the timeframes applicable to objectivity for ‘all professional services’. We recommend that the period for which the expert must remain objective should begin when the PA/SAP engages the expert and end when the expert signs/provides the engagement output to the PA/SAP.</li> </ul> <p>The development of appropriate transitional provisions will be essential, particularly in emerging services, such as sustainability. We recommend that transitional provisions be included that enable the PAIB/PAPP/SAP to continue until completion, any engagement with an expert for which the work has already commenced under the extant provisions of the Code and which precedes the effective date of the revised Code. Additionally, we recommend that any transitional provisions recognise that the availability of experts may be impacted by both the emergence of the expert’s field of expertise as well as the CCO requirements of these proposed amendments.</p>
	<p>CPA Canada PTC</p>	<p>The PTC supports the proposed approach for evaluating an external expert’s competence, capabilities and objectivity. The PTC found the examples of sources for obtaining information about the external expert’s CCO helpful but recommend minor amendments for clarification. The PTC is of the view that an additional bullet should be added for “Any disciplinary actions published by a regulatory body or agency relating to the external expert” in paragraphs 290.6 A7 and 390.6 A6. This addition will complement other sources already included for example “Inquiry of the external expert’s professional body or industry association” and “Published records, such as legal proceedings involving the external expert”.</p> <p>The PTC observes that it may not be immediately clear for non-professional accountants, why the following firm elements are relevant sources of information regarding an individual external expert’s competence, capabilities and objectivity:</p> <p>“The internal controls, policies, and procedures of the professional accountant’s employing organization” (290.6 A7)</p> <p>“The system of quality management of the professional accountant’s firm” (390.6 A6)</p> <p>“The system of quality management of the sustainability assurance practitioner’s firm” (5390.6 A6)</p> <p>The PTC considers that clarification of the relevance of this source of information about an external expert’s competence, capabilities and objectivity may be helpful in the IESBA Code and recommends that IESBA consider the information in ISA 620 (see paragraph A15), for additional application material to provide clarity to proposed paragraphs 290.6 A7, 390.6 A6 and 5390.6 A6.</p>

<p>Chartered Accountants Ireland</p>	<p>Competence or Expertise – As highlighted in our response to question 1, there is an important distinction between competence and expertise, and in the context of evaluating the competence of an expert, this must involve the nature and level of their expertise, i.e. their knowledge, skills and experience, and whether it is relevant and appropriate to the work to be performed.</p> <p>The factors relevant to evaluating the objectivity of an external expert outlined in application guidance 290.6 A4-A6, 390.6 A4-A5 and 5390.6 A4-A5 are, in themselves, commonsense and practical. We believe an additional appropriate factor to consider would be whether information is available related to objectivity and/or independence as required by laws, regulations, and standards to which the external expert is subject. Our main concerns arise in relation to the requirements as part of evaluating CCO for audit and other assurance engagements, and these are addressed in our response to question 4 below.</p> <p>In the case of Group Engagements there will be additional complexity in assessing the objectivity of an external expert’s employing organisation. For example, ascertaining whether it provides services to another entity affiliated with the group in another jurisdiction, but the external expert is not party to that engagement or aware of it.</p>
<p>CPA Australia</p>	<p>As noted in the third dot point of the response to Question 1, the approach regarding the evaluation of an external expert’s expertise (knowledge and skills) seems to be lacking. Arguably, the factors enumerated for evaluating the competence of the external expert may be the same as an assessment of the knowledge and skills of the expert. That is, in these sections describing the evaluation of an external expert, competence may be used to mean the same thing as knowledge and skills. The IESBA should clarify if this is its intention and should consider making specific reference to knowledge and skills (or expertise) in those relevant sections.</p>
<p>IBRACON</p>	<p>We support the IESBA’s approach regarding evaluating an external expert’s competence, capabilities and objectivity. In relation to the section “documentation” 290.16 A1, beyond steps taken by the accountant to evaluate the CCO, it should be clear that the conclusion also is necessary to be formalized in the documentation and the respective appropriate reasons.</p> <p>Finally, when the work of the expert is considered significant part of the evidences used by the PA, this considerations should be assessed and approved by the TCWG of the client.</p>
<p>ICAEW</p>	<p>As a point of principle, we agree that the competence, capability and objectivity of a potential expert must be assessed before the work of that expert can be relied upon; and that any individual who is assessed as not being competent, capable or objective should not be instructed as an expert.</p> <p>However, we are concerned that the provisions set out in the exposure draft appear to imply that the assessment of an individual’s competency, capability and objectivity is to be viewed as a one-off binary assessment.</p> <p>In practice, we consider that this assessment is more of a continuous exercise, and that it would be helpful to consider adopting a more</p>

		<p>nuanced approach in the IESBA Code.</p> <p>Such an approach would include identifying potential threats to an individual's competency, capability and objectivity; and identifying whether there are appropriate mitigations that can be put in place which might enable all (or potentially part) of an expert's report to be used (possibly in conjunction with the use of other experts).</p> <p>We note that this is the approach that appears to have been adopted by the IESBA in relation to using the work of another practitioner in the context of Sustainability Assurance Engagements, as set out in paragraph 100 of the Explanatory Memorandum to the Exposure Draft on Proposed International Independence Standards for Sustainability Assurance (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.</p> <p>The provisions as drafted necessarily require the Professional Accountant and other Sustainability Assurance Practitioners to take a subjective view as to the Competence, Capability and objectivity of the proposed expert. In this regard, it would be helpful to include provisions requiring Professional Accountants and other Sustainability Assurance Practitioners to obtain a signed declaration from any instructed expert stating that the expert was aware of the relevant requirements; that they consider themselves to be competent and capable; and have been objective when performing the work and producing any subsequent report.</p> <p>In relation to the last bullet in proposed Sections 290.5.A1; 390.5.A1; and 5390.5.A1, it might be helpful to include reference to expectations of the expert (including ownership and production of working documents and drafts of reports) in the event of litigation. In the particular context of the UK, experts giving evidence in court proceedings owe a duty to the Court and not to the party instructing them.</p>
	<p>ICAS</p>	<p>Agreeing the Terms of Engagement</p> <p>In general, we are supportive of the approach regarding evaluating an expert's competence, capabilities and objectivity, however, in terms of the timing of the COO evaluation, we would prefer the evaluation to occur prior to commencement of the external expert's work wherever possible. We understand that not precluding the external expert from beginning the work while the CCO evaluation proceeds, is a pragmatic approach being adopted by IESBA. However, we note that this approach may also create potential threats. For example, what happens if something is uncovered about the external expert just prior to something being signed off – pressure may be exerted to overlook such discoveries.</p> <p>Paragraph 66 of the Explanatory Memorandum states the following:</p> <p>"66. Therefore, the IESBA is proposing that the Code does not preclude the external expert from beginning the work while the CCO</p>

evaluation proceeds simultaneously, provided that the external expert has agreed to the terms of engagement to provide all the information necessary to facilitate the evaluation. Proposed paragraph R390.6 is drafted in such a way as to allow for that possibility from an operability perspective. This wording is aligned with ISA 620, paragraph 9, “The auditor shall evaluate whether the auditor’s expert has the necessary CCO for the auditor’s purposes.”.

The IESBA proposes that ‘the Code does not preclude the external expert from beginning the work while the CCO evaluation proceeds simultaneously, provided that the external expert has agreed to the terms of engagement to provide all the information necessary to facilitate the evaluation.’ However, we do not believe this intention as to timing of the engagement letter and the CCO evaluation is clear in the Code and the wording (in red below) could purposefully be added to paragraph R290.5 (and paragraphs R390.5 and R5390.5) to make IESBA’s expectations clear. We also suggest that paragraph R290.5 reflects the wording in paragraph R390.5 in terms of the external expert agreeing to the terms of engagement to provide all the information to facilitate the evaluation (in purple) because whether they are a PA (in business or practice), or a SAP, if they cannot confirm that the external expert is competent, capable and objective they should not be using the work of that expert:

“290.5 If the professional accountant has identified an external expert to use for a professional activity, prior to the commencement of work by the external expert the accountant shall agree the terms of engagement with the external expert, including:

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

the provision of information needed from the external expert for the purpose of assisting the accountant’s evaluation of the external expert’s competence, capabilities and objectivity.”

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

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

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

#### Evaluation of CCO

We are generally supportive of the proposed factors to be considered when assessing competence, capabilities and objectivity.

We note some comments/suggested wording changes in respect of certain paragraphs in Sections 290, 390 and 5390 below:

Paragraph 290.6 A2

	<p>We suggest the following bullets could be added:</p> <p>“</p> <p>Whether the expert’s work is subject to inspection and quality assurance by a professional or regulatory body.</p> <p>Whether the expert is subject to continuing professional development or equivalent requirements.</p> <p>Whether the external expert has adequate professional indemnity insurance.”</p> <p>Paragraph 290.6 A3</p> <p>Please see suggested additional wording in red below:</p> <p>“290.6 A3 Factors that are relevant in evaluating the capabilities of the external expert include:</p> <ul style="list-style-type: none"><li>• The resources, including people and technology, available to the external expert.</li><li>• Whether the external expert has sufficient time to perform the work.”</li></ul> <p>Paragraph 290.6 A4</p> <p>Please see suggested wording in red below. Also, is clarification required in the second bullet re what the ‘entity’ is in this context?</p> <p>“290.6 A4 Factors that are relevant in evaluating the objectivity of the external expert include:</p> <ul style="list-style-type: none"><li>• Whether the external expert is subject to ethical standards issued by a recognised body responsible for issuing such standards in the external expert’s field of expertise.</li><li>• Whether the external expert or their employing organization has a conflict of interest or other personal interest in relation to the work the external expert is performing at the entity.</li><li>• Whether the professional accountant knows or is aware of any bias that might affect the external expert’s work.</li><li>• Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work.”</li></ul> <p>Paragraph 290.6 A5</p> <p>Would ‘compensation, fees and incentive arrangements’ from the employing organisation all be applicable to an external expert?</p> <p>“290.6 A5 Other interests that might impact the level of threat to an external expert’s objectivity include significant financial interests such as those arising from compensation, fees or incentive arrangements linked to financial and non-financial information and decision making.”</p>
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Paragraph 290.6 A6

We would suggest focusing first on the self-review threat which we believe to be the most pertinent at present in relation to non-PAs providing sustainability assurance services i.e. change the ordering of the potential threats.

Also, as above, is clarification required in these bullets re what the 'entity' is in this context? Should 'entity' be replaced by 'the professional accountant's employing organisation'?

"290.6 A6 Examples of previous judgments made or activities performed by an external expert or their employing organization that might create a self-review threat to the external expert's objectivity include:

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

Paragraph 290.10 A1

Please see suggested wording changes in red below:

"Evaluating Threats

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

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

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

Paragraph 390.4 A2

Please see suggested wording change in red below:

“390.4 A1 A self-interest threat to compliance with the principles of integrity and professional competence and due care is created if a professional accountant performs a professional service for which the accountant has insufficient expertise.

390.4 A2 An action that might be a safeguard to address such a threat is to use the work of an external expert for the professional service who has the competence, capabilities and objectivity to deliver the work needed for such a service.”

Paragraph 390.5 A1

Should there be something on fees – i.e. not based on a contingent basis?

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

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

Paragraph 5390.4 A3

Should all the examples in this paragraph not be specifically sustainability-related?

“5390.4 A3 An external expert might be used to undertake specific work to support a professional service provided by a sustainability assurance practitioner. Such work can be in a field that is well-established or emerging. Examples of such work include:

- The valuation of assets such as complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired in business combinations, and assets that may have been impaired.

	<p>• The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, environmental liabilities, site clean-up liabilities, and those associated with insurance contracts or employee benefit plans.”</p> <p>Paragraph 5394.4 A4 (b)</p> <p>Should all the examples in this paragraph not be specifically sustainability-related?</p> <p>“5394.4 A4 (b) The use of information provided by individuals or organizations that are external information sources for general use. They include, for example, those that provide industry or other benchmarking data or studies, such as information about employment statistics including hours worked and compensation per week by geographical area, real estate prices, carbon emissions by vehicle type, mortality tables, or other datasets for general use.”</p> <p>Paragraph R5390.8 (h)</p> <p>Could paragraph R5390.8 (h), (i) and (ii) be combined?</p> <p>“(h) Any position as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity’s financial or non-financial information, or the records underlying such information:</p> <p>(i) Held by the external expert or their immediate family;</p> <p>(ii) Held or previously held by the external expert; or</p> <p>(iii) Held or previously held by management of the external expert’s employing organization;”</p> <p>Paragraph R5390.11</p> <p>We do not understand the context of this paragraph. Is the location of the work not irrelevant – it is the entity on which the assurance service is being undertaken that is relevant. The following wording change is suggested (in red):</p> <p>“R5390.11 Where the sustainability assurance client is not the entity at which the external expert is performing the work, The sustainability assurance practitioner shall also request the external expert to disclose, in relation to the period covered by the assurance report and the engagement period, information about interests, relationships or circumstances of which they are aware between the external expert, their immediate family or the external expert’s employing organization and the client.</p> <p>If the paragraph is trying to address a value chain-related issue, then we would suggest that, if the PA is using the work of an expert in that context, they would need to know about relationships both between the expert and the client and between the expert and the value chain entity before they can conclude.</p>
<p>Institute of Public</p>	<p>Subject to the below comments, IPA conceptually agrees with the competence, capabilities and objectivity (CCO) evaluation of an external</p>

	<p>Accountants Australia</p>	<p>expert.</p> <p>In practice, professional accountants in small and medium-sized environments are likely to struggle with making a CCO evaluation of an external expert. IPA encourages IESBA to develop guidance and tools to assist the application of this proposed requirement, especially in assessing objectivity in practice.</p> <p>A professional accountant may not always be in a position to assess an external expert’s objectivity at the time of engagement or prior to the issuance of the expert’s engagement output. It is unclear for what period of time the external expert need to remain objective. Similarly, can an auditor continue to rely on the engagement output of the external expert in a situation where they learn the external expert has subsequently been engaged in an event or transaction that may now impair a third party’s perception of the external expert’s objectivity? For example, where an external expert has subsequently been engaged by the audit client or has acquired a significant financial interest in the audit client after completing their expert report to be relied on by the professional accountant. In this context, there may be some merit in constraining the objectivity assessment to the date the external expert signs their engagement output.</p>
	<p>International Federation Accountants of</p>	<p>We support the general approach of an assessment of CCO being made, but the requirements outlined are problematic in relation to competence, capability and objectivity. For large and complex engagements, especially those concerning emerging areas like technology or sustainability, the assurance provider could be the leader of a very diverse group of people practicing in very different fields and different geographical locations. Experts that the assurance provider will need the support of may not necessarily have the same professional oversight as PAs. This mandates the need for some pragmatism in approaches towards using experts. An acknowledgement is needed that the quality of engagements is improved through the use of suitable experts, so any undue barriers to their use will be problematic and have a detrimental impact on the public interest.</p> <p>In relation to competence, in our response to question 1 we have already discussed the relationship between competence and expertise and request further clarity be provided in this area. The limitation of the proposals' scope to external experts may also raise some questions. Assessment of competence and capability of internal experts would also be important, especially in broad emerging areas like sustainability where in-house ESG specialists may have knowledge and skills in some areas, but not necessarily the level required in the particular areas that are relevant to activity or engagements they are used on. As the time and availability of such specialists may be limited due to scarcity, there could also be questions around capability to complete work too. We note the treatment adopted in these revisions is inconsistent with IAASB standards. The ED for ISSA 5000 refers to experts rather than external experts, and ISA 620 covers both internal and external experts. We understand challenges with expanding scope at this stage, but this is an area where requirements and guidance would be useful to ensure PAIBs, PAPPs and SAPs are complying with good ethical practice and making use of appropriate expertise. It may be useful for IESBA to consider whether in some circumstances (e.g., where there are conditions that flag an internal expert may not be suited to contribute to an activity or engagement) an evaluation of an internal expert’s competence and capability would be necessary.</p>

		<p>There are also challenges around the treatment of objectivity. Paragraph 20 of the EM implies that a management's expert cannot be objective. This statement is concerning as there will be Professional Accountants in Business (PAIBs) carrying out duties within entities that are bound by the IESBA Code. Following this implication through, this would suggest there are consistent breaches of the fundamental principle of objectivity by such PAIBs.</p> <p>With regards to the evaluation, the requirements to gather information are excessive. R390.8 sets out a list of actions which should be taken. We note this is a lengthy list which is within an 'R' paragraph creating obligations to obtain all of this information to make the required assessment. The list would appear to be more suited to serve as examples within application guidance as we expect many experts would be unable to provide definitive responses in relation to all these items whilst it would be challenging for the assurance practitioner to obtain this information through other means. Our preferred approach would be to put this listing within application guidance instead of requirements, as this has the potential to create barriers to experts being used on engagements. We note that similar is repeated in R5390.8, so any adjustments made would also need to be reflected there. If this is to be retained in requirements, we strongly encourage the IESBA to consider making this area less onerous, the removal of the word 'any' from the requirements would be a start. De minima thresholds could be used, so that only information relevant to the PA's or SAP's conclusion is collected. Information completely unknown to the expert cannot actually influence the expert's objectivity – only the perceptions of third parties. Logically, requiring the expert to disclose known information and to confirm the completeness thereof rather than expecting the expert to perform a "search" would be equally effective and a more pragmatic approach at this stage. A pragmatic approach should also reflect the fact that not all work performed by an expert will be equally significant to the outcome of the engagement.</p> <p>These requirements are especially important to get right considering the very binary prohibition if CCO is not met. Generally, where threats are examined in the Code, there is consideration of effective safeguards that can be put in place before a prohibition is made. This is not the case where the CCO evaluation is concerned as we will discuss further in our response to question 3.</p> <p>There may also be additional challenges where a client has multiple affiliated entities and external experts are performing work that affects group assurance engagements, as the scope of assessment is not entirely clear. Further guidance on the scope of entities subject to the assessment of objectivity should be provided within the requirements or application guidance.</p>
	<p>Japanese Institute of Certified Public Accountants</p>	<p>Paragraph R390.8 of the ED sets out what information a professional accountant shall request an external expert to provide, but we believe that information needed to evaluate an external expert's objectivity would differ, depending on the interests, relationships or circumstances of the external expert. Therefore, we propose to revise "information about:" to "information needed for purposes of assisting the accountant's evaluation of an external expert's objectivity" at the end of paragraph R390.8. Further, we propose to move subparagraphs (a) to (m) of paragraph R390.8 to application material and to make them examples of factors to evaluate an external expert's objectivity.</p> <p>If the revisions above are to be made, we also suggest that paragraph R5390.8 be revised in the same way as paragraph R390.8.</p>

		<p>In addition, if a client has multiple related entities and an external expert performs work that directly influences the outcome of the group audit engagement or the group sustainability assurance engagement as a whole, we believe it is necessary to clarify the scope of such entities for which the PA or SAP shall evaluate the external expert’s objectivity. To avoid possible variation in scope, we suggest providing guidance on how to consider the scope of the entities for which the PA or SAP shall evaluate an external expert’s objectivity when using the work of the external expert.</p>
	<p>Korean Institute of Certified Public Accountants</p>	<p>The KICPA supports the proposed approach. However, in a PAIB’s environment, the management of the PA’s employing entity usually has authority to make decisions whether or not to engage an external expert. Therefore, the KICPA proposes that, in the final revision process, the IESBA should consider potential situations where it is challenging to apply the proposed approach, including where a PA doesn’t have authority to evaluate an external expert’s COO, considering the position and role of PAIB within the organization.</p> <p>In addition, the KICPA suggests that the IESBA should consider potential issue of equality, considering that the regulations applicable to PAs are not applicable to non -PAs in using the external expert, although the same professional services can be performed by either PAs or non-PAs such as in areas related to sustainability information.</p>
	<p>MIA</p>	<p>Overall, we support the approach regarding evaluating an external expert’s competence, capability and objectivity (CCO). To ensure the work by the expert is appropriate to be used as evidence in the professional service performed, the same consideration of professional competence is required of the partners within the expert’s firm.</p> <p>However, we have concerns about the practical application of the evaluation, in particular on the accessibility of information regarding the independence of the external expert. As an external expert is not an employee of a firm and is outside of the firm’s system of quality management, the firm will be relying on the external expert to provide accurate information to confirm the expert’s independence.</p> <p>Given that this requirement will also affect the decision of the professional accountant on whether to prohibit using the work of an external expert if they have not met the requirements of CCO, we suggest that the IESBA provide practical guidance in reaching a conclusion based on the combined effects of the CCO evaluation rather than having sole reliance on the information provided by the expert.</p> <p>We find that paragraphs 390.6 A2-A6 may suggest that the factors outlined are the minimum factors to be considered. We recommend that the IESBA consider revising the current proposed language from “factors that are relevant…” to “factors that might be relevant…” to better indicate that the applicability of factors is subject to the professional judgment of the Professional Accountant (PA) or Sustainability Assurance Practitioner (SAP).</p>
	<p>NYSSCPA</p>	<p>Response: We support the approach for evaluating an external expert’s competence and capabilities. However, as explained in our general comment, we do not support the use of an objectivity standard for determining the “independence” of the external expert. We disagree with the discussion in paragraph 25 of the Explanatory Memorandum, which provides the rationale for taking an “objectivity</p>

	<p>approach” as opposed to an “independence approach.”</p> <p>We disagree with the use of the objectivity standard because it creates two different standards: 1) an objectivity standard for external experts who are non-accounting professionals and 2) the independence standard of the Code for professional accountants. Our rationale is that objectivity implies a lower standard, which may affect the ability of the audit team to accurately assess and disclose conflicts of interests and the existence of related parties of the external expert, and accordingly would not serve the public interest. Therefore, we prefer the use of the independence standard to evaluate an external expert along with competence and capabilities.</p>
<p>Saudi Organization for Chartered and Professional Accountants</p>	<p>SOCPA agrees with the proposed revisions, however, believes that the reliance on professional judgment may lead to inconsistencies in evaluations, as different accountants may interpret the given criteria differently. For example, the proposed requirements prohibit the PA or SAP to use the work of external expert if the PA or SAP was unable to obtain the needed information based on which they can do the Competency, Capabilities, and Objectivity (CCO) evaluation. It is highly judgmental to gauge the level of information needed that can be considered sufficient in order to properly complete the CCO evaluation (e.g. paragraph R290.7). Also, the proposed examples of facts and circumstances which may create threats to the PA’s or SAP’s compliance with ethics principles include the idea that the PA or SAP should have sufficient expertise to understand and explain the experts’ conclusions, have no undue reliance on the external experts (e.g. paras 290.9 A1 and 390.9 A1). This idea blurs the understanding of the role and responsibilities of the PA or SAP in relation to the use of external experts work (e.g. when to use them? And to what extent should they be responsible?).</p> <p>Additionally, we suggest that paragraphs 290.11 A1 and 290.11 A2 (similarly 390.11 A1 and 390.11 A2...etc) can be combined in one paragraph which provides examples of the actions that can be used to address the different types of threats; including the familiarity threat.</p> <p>Moreover, paragraphs 290.12.A1, 390.17.A1 and 5390.17.A1 all highlight the fact that “expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop. Emerging fields might also involve multiple areas of expertise. There might therefore be limited availability of external experts in emerging fields or areas.”</p> <p>In the case when external experts are not available in a certain jurisdiction the explanatory memorandum to the exposure draft suggests the PA or SAP could consider:</p> <ul style="list-style-type: none"> <li>• Using an expert from another jurisdiction.</li> <li>• Consulting with the appropriate regulatory or professional body and ascertain the proper next steps.</li> </ul> <p>Since different jurisdictions may have varying pools of external experts with diverse expertise and experience levels, SOCPA believes that the exposure draft should require the PA or SAP to consult with the appropriate regulatory or professional body and on their guidance, if required, use an expert from another jurisdiction, rather than leaving it as a choice. This would ensure the impact of the PA’s or SAP’s judgement in making this decision is restricted and will ensure consistency in the approach taken in that jurisdiction.</p>

		<p>Evaluating the CCO of the external experts is critical to the quality (including the associated ethical behavior) of the professional services that the PA or SAP provides. Therefore, SOCPA believes that a stronger word than “encourage” should be used (e.g. in paragraphs 290.15 A1 and 290.16 A1) to persuade the PA or SAP to communicate sufficient information about the use of external experts (including the evaluation of CCO) to those charged with governance and the management, as well as documenting such procedures performed to assure maintaining the proper compliance with the ethical principles. This idea should be stressed in specific when the work of external experts is deemed significant to the professional services provided by the PA or the SAP.</p>
	<p>The South African Institute of Chartered Accountants</p>	<p>SAICA supports the approach regarding evaluating an external expert’s competence, capabilities and objectivity as it is aligned with the requirements of ISAE 3000 and ISA 620. The ED is sufficiently broad regarding the evaluation of an external expert’s competence, capabilities and objectivity.</p> <p>However, there is a need to provide guidance on how the evaluation of an external expert should be performed. Furthermore, additional guidance should be provided when an external expert is from another jurisdiction. Consideration should also be given to laws and regulation within a specific jurisdiction such as labour laws when employing an external expert. SAICA further recommends the following factors to consider while assessing the external expert’s competence include:</p> <p>Determine if the external expert is a member of a relevant professional body or regulated by a relevant authority, and, if so, whether the external expert is in good standing.</p> <p>The external expert’s work should adhere to established professional standards, issued by a recognised body, or follows generally accepted principles or practices, or adheres to regulatory and legal requirements in their field of expertise.</p> <p>Paragraphs 390.6 A2 to 390.6 A6 and 5390.6 A2 to 5390.6 A6 provides factors that should be considered in different circumstances. SAICA recommends that the IESBA indicates that these are not exhaustive and may not always be applicable in all circumstances.</p>
	<p>WPK</p>	<p>We agree that it is very important for professional accountants to assess the competence, capabilities and objectivity of the external experts whose work they intend to use. In practice, public accountants are already considering these criteria when following the basic principles of the Code or when applying ISA 620.</p> <p>However, it should be taken into consideration that assessing these qualities is often subjective and relative rather than a simple yes or no decision. In other words, the public accountant assesses how competent, capable, and objective an expert is, and considers this when deciding whether to use the expert’s work. In addition to this, the accountant will also evaluate the adequacy of the results of the expert’s work for the accountant’s purposes. Therefore, we believe that the proposed requirements for assessing competence, capability and objectivity seem to be too strict.</p> <p>We would recommend more flexibility in the evaluation of competence, capabilities and objectivity.</p>

Regulators and Oversight Authorities, Including MG members		
IFIAR		<p>14. We recommend the IESBA revisit the terms “competence” and “expertise” to ensure they are being used consistently. For example, the term “expertise” is proposed to change to the term “competence” in paragraph 220.7 A2, on the other hand “expertise” is still used in paragraph 290.4 A1. The rationale for the different terminology used in each of these paragraphs is not clear.</p> <p>15. As mentioned in paragraph 65 of the EM, the necessary competence, capabilities and objectivity (CCO) evaluation would be started at the acceptance/continuance stage but may not be completed at this stage. The IESBA’s view is to accept such uncompleted CCO evaluation situations. If PAs/SAPs cannot complete the required evaluation, PAs/SAPs have to consider the impact to opinions and how to address the issue at the conclusion stage. The availability of relevant experts, whether internal or external, with the appropriate CCO should be considered as part of acceptance and this should be clear in the requirements within the Code.</p> <p>16. Additionally, we recommend the IESBA to consider adding a provision to address situations where the nature, scope and/or objective of the work performed by the external experts changes after the terms of the engagements have been agreed. A provision that changes in the nature, scope and/or objective of the work performed by external experts, may require the PAs and SAPs to re-evaluate the CCO of the external experts and re-evaluate any threats that might be created from using the work of the external experts. Changes to the initial nature, scope and/or objective may also require new terms of engagement to be agreed.</p> <p>17. Sustainability is a pre-mature area and the lack of experts may not be a temporary issue as sustainability topics subject to disclosure are expected to continue to evolve.</p> <p>18. Depending on the views from stakeholders, the following examples of provisions included in paragraph 70 of the EM and further guidance should to be incorporated into the Code itself or relevant guidance in order to clarify how to respond to the lack of experts.</p> <ul style="list-style-type: none"> <li>• Using an expert from another jurisdiction.</li> <li>• Consulting with the appropriate regulatory or professional body and ascertain the proper next steps.</li> </ul>
Independent Regulatory Board for Auditors		<p>We support the proposed approach regarding the CCO evaluation, as it aligns conceptually with existing provisions in ISA 620 and ISAE 3000. Moreover, the inclusion of guidance on conducting the evaluation enhances clarity and practical application.</p> <p>Practitioners, based on their practical experience, have pointed out that the lists of examples included in the IESBA Code’s application material, while not meant to be exhaustive or applicable in all cases, are nonetheless often treated as such in practice. Contrary to the underlying intention, they are seen by many as mandatory checklists. We are thus concerned that similar treatment may occur for the lists of factors that are provided for the CCO evaluation under paragraphs 390.6 A2 to 390.6 A6 and 5390.6 A2 to 5390.6 A6. Therefore, we suggest explicitly clarifying that they are not exhaustive or applicable in all cases.</p>

		<p>In the same way that an external expert may be a member of a professional body or subject to professional standards, the external expert may be subject to oversight by a regulatory body or other relevant authority. Their standing in the light of this oversight would also be relevant to an evaluation of their competence. We therefore further propose amending bullet points 2 and 3 in paragraphs 390.6 A2 and 5390.6 A2, respectively, as follows:</p> <p>Factors that are relevant in evaluating the competence of the external expert include:</p> <p>Whether the external expert belongs to a relevant professional body, or is subject to oversight by a regulatory body or other relevant authority, and, if so, whether the external expert is in good standing.</p> <p>Whether the external expert's work is subject to professional standards issued by a recognized body, or follows generally accepted principles or practices, or adheres to regulatory and legal requirements in the external expert's field or area of expertise.</p>
	<p>International Organization of Securities Commission</p>	<p>We support the IESBA's overall approach regarding evaluating an external expert's CCO. However, we believe that the following matters should be further considered:</p> <p>We believe the IESBA should consider including a provision for circumstances where the nature, scope, and/or objective of the work to be performed by the external expert changes after the terms of the engagement have been agreed upon. While such circumstances may result in the need for new terms of engagement to be agreed upon, we believe that the IESBA should state in the application material that such changes in the nature, scope, and/or objective could result in circumstances where the PA or SAP may need to reevaluate the external expert's CCO and reevaluate threats that might be created from using the work of the external expert under the new circumstances.</p>
	<p>National Association of State Boards of Accountancy (US)</p>	<p>NASBA supports the approach regarding evaluating an external expert's competence, capabilities and objectivity (CCO); however, because in IESBA's view there is no safeguard against threats if an external expert does not satisfactorily pass the CCO evaluation, NASBA believes that the competence, capabilities and objectivity of the external expert should be measured prior to the start of the engagement with the external expert (i.e., the external expert should not begin work until the CCO evaluation has been completed).</p>
	<p>Public Accountants and Auditors Board, Zimbabwe</p>	<p>The PAAB is in agreement with the need to consider the practicality of timing of evaluation of CCO. However, there is need to consider the implications on the cost and timing of the engagement if the auditor after completing the CCO determines that they can not use the work of the expert. We are of the view that some level of evaluation be conducted before commencement of using the expert's work and should be monitored throughout and periodically to ensure that they remain relevant and applied throughout the engagements much like independence requirements.</p>
	<p>United Kingdom Financial Reporting</p>	<p>We are generally supportive of the approach implemented within the ED towards evaluating the CCO of an external expert. However, we believe the approach could be improved by requiring practioners to make a preliminary assessment before engaging the expert, as well</p>

	<p>Council</p>	<p>as a final determination following the conclusion of the expert’s work. The evaluation of an expert’s CCO should be continuous to reflect the dynamic conditions in which PAs and SAPs will be applying these requirements.</p> <p>The ED does not include a requirement to complete the CCO evaluation required in paragraphs R390.6 and R390.12 before engaging the external expert. The requirements could recognise that the practitioner should make a preliminary conclusion on CCO before deciding to utilise the expert, to mitigate practical risks around wasting time and resources by leaving the determination until later.</p> <p>It would also be inappropriate to reach a final conclusion on the CCO evaluation until the expert has completed their work. Instead, the practitioner should continually assess the competence, capability, and objectivity of the expert for the duration of their work. While the considerations set out in R390.6 and supporting application material within the ED provide a strong basis for the assessment of CCO, an intrinsic part of assessing the competence and capability of the expert is a consideration of the practitioner’s experience of working with them in the delivery of their work, as well as assessing the quality of the work performed at completion. Similarly, considerations around objectivity may change because of changes in the circumstances of the expert or their host organisation. We therefore suggest that the application material for both 390.6 and 5390.6 should be expanded to reflect that the practitioner’s engagement with the expert provides a further basis for evaluating their competence and capability.</p>
<p><b>Disagree</b></p>		
<p><b>Accounting Firms and Sole Practitioners</b></p>		
	<p>DTTL</p>	<p>When the external expert is used on an audit or other assurance service, including a sustainability assurance engagement:</p> <p>Overall and as further explained below, while Deloitte Global agrees with a requirement to evaluate the external expert’s CCO in the context of an audit or assurance engagement, given this is already an expectation under ISA 620, we do not support the approach taken regarding requirements and considerations when performing this exercise. We believe that the proposed provision in paragraph R390.12 contradicts the requirements in ISA 620 and ISA 500, Audit Evidence (“ISA 500”) and might lead to a scenario where an external expert cannot be used in any capacity on an audit where there are challenges with respect to the levels of CCO, given the revisions to the Code do not acknowledge that these challenges might be possible to overcome. This outcome will be contradictory to ISA 620, which provides for a mechanism for the auditor to use the work even if the external expert has interests or relationships that require safeguards for the auditor to be comfortable with their CCO (ISA 620, paragraphs 9 and 10, and related application material). Auditors have a longstanding practice of evaluating reliability of audit evidence, which includes considering the objectivity of who prepared the work. The standard proposed by the Board does not include a similar approach, and consequently the outcome of the CCO evaluation might result in a binary “yes/no” conclusion with no option to further consider how the work might be used by applying safeguards or performing additional work.</p> <p>Additionally, we do not agree with the statement in paragraphs 290.6 A1, 390.6 A1 and 5390.6 A1 that implies the professional accountant</p>

	<p>                 (“PA”)/sustainability assurance provider (“SAP”) is breaching the fundamental principles of integrity, objectivity and professional competence and due care when they hire an external expert who does not have CCO or if the external expert communicates any of the matters in paragraphs R390.8 or R5390.8. This statement is contradictory to ISA 620 and ISA 500, which allow for a scalable approach depending on the relevance and reliability of the expert’s work, including evaluating contradictory information and consistency of audit evidence from other places.             </p> <p>                 It is also unclear why a concern with the external expert’s objectivity could potentially impact the PA/SAP’s objectivity. We recommend deleting the reference to the PA/SAP’s objectivity in paragraphs 290.6 A1, 390.6 A1 and 5390.6 A1.             </p> <p>                 External experts used for activities other than audit and assurance engagements:             </p> <p>                 While ISA 620 requires an auditor to assess the CCO of an external expert for an audit engagement, Deloitte Global believes proposing a similar assessment when a professional accountant in business (“PAIB”) uses an external expert in connection with their professional activities for their employing organization, or when a PA or SAP provider provides a non-assurance service, is not properly scaled.             </p> <p>                 Deloitte Global agrees a PA/SAP needs to assess the competence and capability of an external expert given the direct impact the external expert will have on the quality of the PA/SAP’s work and by extension, their compliance with the fundamental principle of professional competence and due care. While the assessment of an external expert’s objectivity is appropriate for an audit or assurance engagement, given heightened stakeholder expectations for such engagements, a similar requirement for a PA/SAP who is providing a non-assurance service to take active measures to assess an external expert’s objectivity is overly onerous and may provide a disincentive for the accountant to seek others’ expertise. This could ultimately undermine their compliance with the fundamental principle of professional competence and due care. In the context of a non-assurance engagement there are further nuances when considering an external expert’s objectivity that are not contemplated in the proposal. For example, it may be that the external expert is the best resource for the non-assurance service because they previously performed activities at the client related to the work for             </p> <p>                 April 30, 2024 Page 4             </p> <p>                 which they will be engaged. However, applying the factors in paragraphs 390.6 A4 and 5390.6 A4 seems to imply that the external expert’s objectivity would be impaired because of this previous work, and consequently that expert could not be used.             </p> <p>                 If, despite these concerns, the Board continues to believe an assessment of an external expert’s objectivity outside of an audit or assurance engagement is necessary, Deloitte Global suggests scaling back this requirement. A more measured approach would be if a PA/SAP knows or has reason to believe that a relationship or circumstance involving the external expert and client would impact their objectivity in performing work for the PA/SAP, the PA/SAP should apply the conceptual framework to determine what safeguards are required to use the external expert’s work.             </p>
<p>Accountancy</p>	<p>No, we do not support IESBA’s approach.</p>

<p>Europe</p>	<p>We agree that PAs and SAPs, when providing audit or assurance engagements, should use the work of external experts only if they have the necessary level of competence, capabilities and objectivity to deliver the work needed for their services. These factors are already considered by professional accountants when applying ISA 620 and complying with the fundamental principles of the Code.</p> <p>However, we disagree with the proposed binary test as in practice and under ISA 620, PAs evaluate the level of an expert's CCO and determine the implications for their purposes. In addition to this evaluation, they also assess the output of the work performed by the expert.</p> <p>Considerations related to objectivity should also differ between assurance, including audit, and non-assurance services. For non-assurance services, the proposal should provide for more flexibility and allow PAs to only evaluate whether there is any bias, conflict of interest or undue influence that might affect the external expert's work. If so, the PA should also be allowed to consider whether there are any safeguards that can be applied to ensure the work of the external expert can still be used. See also our response to Question 4.</p> <p>In addition, the factors listed in paragraph 390.6 A6 seem to oblige searching for external sources of information instead of obtaining such information directly from the external expert which creates excessive burden and practical issues.</p>
<p>American Institute of Certified Public Accountants Professional Ethics Executive Committee</p>	<p>Though PEEC agrees that an external expert should have the necessary competence, capabilities, and objectivity for the purposes of the professional service or activity, the requirements to evaluate these characteristics and the decision to use the external expert's work belongs in performance standards. The line between ethical and performance standards should be distinct. If IESBA has identified deficiencies in performance standards, it should identify a way to engage the appropriate parties to address those standards, instead of adding performance requirements to the code. Comingling performance standards in the ethical standards will lead to confusion and inconsistent application of the standards.</p> <p>For example, proposed paragraphs R290.6, R390.6, and R5390.6 require a PA to evaluate whether the external expert has the necessary competence, capabilities, and objectivity (CCO) for the PA's purpose. Paragraph 59 of the EM acknowledges that this is conceptually aligned with the existing provisions in the audit and attest standards, and that IESBA believes the CCO evaluation is relevant to other professional services (i.e., non-assurance services [NAS] engagements) and professional activities. Including these performance requirements in the code is accordingly duplicative, will cause confusion for PAs, and will likely result in inconsistent application.</p> <p>For example, the IAASB already requires PAs to evaluate an expert's competence, capabilities, and objectivity in ISA 620, ISAE 3000, and proposed ISSA 5000, as shown below. PAs performing engagements under these performance standards will be confused about the interoperability between the performance standards and the ethical standards.</p> <p>ISA 620, paragraph 9: "The auditor shall evaluate whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may cause a threat to that expert's objectivity."</p> <p>ISAE 3000, paragraph 52: "When the work of a practitioner's expert is to be used, the practitioner shall also:</p>

		<p>Evaluate whether the practitioner’s expert has the necessary competence, capabilities and objectivity for the practitioner’s purposes. In the case of a practitioner’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert’s objectivity;</p> <p>Obtain a sufficient understanding of the field of expertise of the practitioner’s expert;</p> <p>Agree with the practitioner’s expert on the nature, scope and objectives of that expert’s work; and</p> <p>Evaluate the adequacy of the practitioner’s expert’s work for the practitioner’s purposes.”</p> <p>Proposed ISSA 5000, paragraph 49: “If the practitioner plans to use the work of a practitioner’s external expert, the practitioner shall:</p> <p>Evaluate whether the expert has the necessary competence, capabilities and objectivity for the practitioner’s purposes.</p> <p>When evaluating objectivity, inquire regarding interests and relationships that may create a threat to that expert’s objectivity;</p> <p>Obtain a sufficient understanding of the field of expertise of the expert to determine the nature, scope and objectives of that expert’s work for the practitioner’s purposes; and</p> <p>Agree with the expert on the nature, scope and objectives of that expert’s work.</p> <p>Evaluate the adequacy of the expert’s work for the practitioner’s purposes.”</p>
	<p>FACPCE                  (Federación                  Argentina de                  Consejos                  Profesionales de                  Ciencias                  Económicas)</p>	<p>Work of an external expert used by an accountant in an engagement other than an audit or other assurance engagement</p> <p>We agree that, just as ISA 620 requires an accountant to evaluate the CCO of an external expert for an audit engagement, a similar evaluation should be carried out when an accountant acts in a company and uses the work of an external expert in relation to his professional activities for his employing entity, or (b) carries out a non-assurance engagement.</p> <p>The accountant needs to assess the competence and capability of the external expert, given the direct impact it will have on the quality of the accountant’s work and compliance with the fundamental principle of professional competence and due care. While an external expert’s evaluation of objectivity is appropriate for an audit engagement or other assurance engagement given the heightened expectations of stakeholders in these engagements, the same requirement imposed on an accountant performing an engagement that does not assurance could be very onerous and lose the incentive to hire an external expert. In the context of a non-assurance engagement, there are alternative criteria when considering the objectivity of an external expert that are not contemplated in the ED proposal.</p> <p>If it continues to be argued that it is necessary to evaluate the objectivity of an external expert in a non-assurance engagement, we suggest appropriately reducing this requirement. A more measured approach would be if an accountant knows or has reason to believe that a relationship or circumstance involving the external expert and the client could influence his or her objectivity, he or she should apply the</p>

	<p>conceptual framework to determine what safeguards would be required or what additional work might be required carried out.</p> <p>Answer: Work of an external expert used by an accountant in an audit or other assurance engagement we support the requirement in the ED to evaluate the CCO of the external expert in an audit or other assurance engagement. This requirement is also present in ISA 620. However, the proposed paragraphs seem not to be aligned with what is established in ISA 620 and 500, and could lead to the work of an external expert not fully complying with the CCO requirements. cannot be used at all in an audit or other assurance engagement.</p> <p>ISA 620 establishes mechanisms so that the auditor can use the work of an external expert even when the latter has interests or relationships, requiring the application of safeguards so that the accountant feels comfortable with the CCO of the external expert (ISA 620, paragraphs 9 and 10, and related application material). Accountants are trained to evaluate the reliability of audit evidence, which includes considering the objectivity of who prepared the engagement. The paragraphs proposed in the ED do not propose an approach in this same sense. According to the ED, the result of the CCO assessment of the external expert leads to whether or not the accountant can use the expert's work, without the option of considering how he could use it by applying any safeguards or carrying out any additional work.</p> <p>Proposed paragraphs 290.6 A1, 390.6 A1, and 5390.6 A1 state that the accountant would violate the fundamental principles of integrity, objectivity, and professional competence and due care by engaging an external expert who does not meet the CCO requirements. This statement is contradictory to ISAs 620 and 500, which allow a proportional (scalable) approach based on the relevance and reliability of the expert's work, including the evaluation of contradictory information and the consistency of audit evidence obtained from other sources. We also do not agree that the lack of objectivity of the external expert directly affects the objectivity of the accountant who uses her work.</p>
IDW	<p>have three key concerns in this context.</p> <p>Limiting the scope to external experts</p> <p>As outlined in the body of our letter above, we disagree with IESBA's decision to limit the proposals to external experts.</p> <p>When a PAIB or PAPP intends to use the work of an internal expert, any doubt the PA has regarding the expert's competence or capability for the PAs specific purposes could give rise to a threat to the PA's own compliance with the IESBA Code. In a worst-case scenario, for a PAIB an employing organization might hold an internal expert as sufficiently competent in a variety of fields, but that individual's specific competences would not reasonably be an adequate match for the exact purpose of the work the expert is asked to perform, or the employing organization may not allow the expert sufficient time or resources to ensure adequate quality of work. As far as a PAPP is concerned, we agree that reliance on the firm's quality management should ordinarily suffice as intended by ISQM 1, but the PAPP must be satisfied as to the expert's competence and capability for the PAPP's purposes.</p> <p>Rather than excluding the consideration of internal experts from scope entirely, as a minimum, IESBA could consider a pragmatic approach requiring, in cases of doubt, an evaluation of whether an internal expert's credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed in order to assess whether there is a threat to the PA's own compliance</p>

	<p>with the Code's fundamental principles due to the use of the work of the expert, and if so whether safeguards can address that threat.</p> <p>A requirement to consider whether there are doubts could then draw upon paragraphs 290.6 A2- A3 and 390.6 A2-A3 and 5390.6 A2-A3, respectively (factors relevant for evaluating an expert's competence and capability) when there is a need for the PA to assess the competence and capability of internal experts.</p> <p>Requiring an expert to supply information</p> <p>We question whether an external expert will be willing and actually able to produce all the information for the duration of the time period required as foreseen by IESBA in R390.8 to R390.10.</p> <p>Imposing onerous requirements on external experts prior to their engagement may be detrimental to IESBA's aims if it negatively impacts the availability of external experts to PAs – especially in new areas such as sustainability matters.</p> <p>In this regard we welcome the fact that, in paragraph 86 of the EM, IESBA states that it “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.” and “ ... IESBA does not expect the external expert to set up an internal monitoring process on the financial interests of all of these parties. 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.” In this regard, we would like to point out that information completely unknown to the expert cannot actually influence the expert's objectivity – only the perceptions of third parties and suggest that requiring the expert to disclose information known and to confirm the completeness thereof rather than expect a “search” would be equally effective and a more pragmatic approach.</p> <p>The proposed requirements of R390.11 and R5390.11 are intended to cover value chain entities too. It is interesting here that the IESBA does not propose the PA or SAP request (full) information from the expert, but only that relevant information “of which they are aware”. To reduce the obligations for experts a similar approach could be envisaged for R390.8. to R390.10.</p> <p>We support the clarification in para. 60 of the EM that immaterial and insignificant interests, relationships or circumstances should generally not result in the PA or SAP concluding that the external expert is not objective. As a practicality issue, we would suggest that the PA should establish a di minimis threshold or thresholds for information requirements, to ensure the expert would not be subject to potentially onerous obligations to supply information that includes information on clearly immaterial and insignificant interests, relationships or circumstances.</p> <p>Availability of experts who perform work in the value chain</p> <p>In regard to value chain entities, which we assume are also covered by the proposed requirements of R390.11 and R5390.11, it is not realistic to expect an expert can be objective in relation to the (ultimate) client (i.e., the expert, immediate family members and employing organization) in terms of interests, relationships and circumstances.</p> <p>It can be anticipated that some forms of one-to-many reports will evolve where value chain entities are part of a number of entities' value</p>
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		<p>chains. Expecting experts involved in preparing such reports to be objective in relation to all such reporting entities will not be feasible.</p> <p>This aspect of the proposals is highly impractical and given the likely limitations in value chain assurance not in the public interest.</p> <p>In this context, given that in the other ED section 5407, IESBA foresees a choice between work performed by the practitioner “at the value chain entity”, use of work by another SAP and the practitioner performing work on the sustainability information of the value chain without carrying out work “at that entity”, there is a concern that independence considerations may be predominant rather than quality considerations. Here a sliding scale approach and appropriate liaison with the IAASB will be crucial.</p> <p>3. Do</p>
	Pennsylvania Institute of CPAs	Overall response: No, with comments below. While the committee agrees that external experts should have the necessary competence, capabilities, and objectivities, it is not clear why these requirements should be repeated in the ethics code since they are included in the applicable performance standards.
	Royal Netherlands Institute of Chartered Accountants	No, we do not support IESBA's approach. For further explanation, we refer to the letter from Accountancy Europe dated April 30, 2024.
<b>Agree</b>		
<b>Professional Accountancy Organizations (PAOs)</b>		
	Asociacion Interamericana de Contabilidad	We support the approach given for the assessment of the competence, capabilities and objectivity of an external expert detailed in R290.6, at this time we do not have any additional considerations that should be incorporated into the assessment of specific CCOs for PAIB, PAPP and SA, which may be given later as the results are evaluated.
	Botswana Institute of Chartered Accountants	We support the approach regarding the evaluating an external expert's competence, capabilities and objectivity given the heightened public interest expectations from stakeholders. All considerations mentioned are section V are adequate for the evaluation of CCO specific to PAIBs, PAPPs and SAPs
	Colombia's National Institute	We agree with the proposed approach. We consider that it includes the matters that should be evaluated for CCO for all professional services and activities.

	of Public Accountants	
	Institute of Singapore Chartered Accountants	<p>We support the proposal to evaluate an external expert's competence, capabilities and objectivity (CCO) prior to using their work for the intended purposes.</p> <p>The evaluation of CCO is aligned with the requirement of ISA 620 Using the Work of an Auditor's Expert which supports the application of the proposal by professional accountants in public practice.</p>
	MICPA (Malaysia)	We agree with the proposal.
<b>Public Sector Organizations</b>		
	UNCTAD's Latin America Regional Alliance	100% of respondents supported the proposal
	United States Government Accountability Office	We generally agree with the proposed approach regarding evaluating an external expert's competence, capabilities, and objectivity (CCO) for all professional services for which such an expert is used, as required by proposed paragraph R390.6 in the section, Evaluating the External Expert's Competence, Capabilities, and Objectivity in the exposure draft.
<b>Regulators and Oversight Authorities, Including MG members</b>		
	Botswana Accountancy Oversight Authority	<p>We support the approach. This is necessary to ensure that work is performed with due care and skill and can be relied upon.</p> <p>We have not noted any other considerations that should be incorporated into the evaluation of CCO specific to PAIBs, PAPPs and SAPs.</p>

### QUESTION 3

**Question 3: Do respondents agree that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work?**

Respondent	Extract of Comment
<b>Agree With Comments/ Mixed Views</b>	
<b>Accounting Firms and Sole Practitioners</b>	
BDO	<p>BDO agrees that if an expert is not competent, capable or objective, the PA or SAP should not use the expert's work.</p> <p>Recommendations</p> <p>The details of how to evaluate the CCO of an expert under proposed R390.6.A2 to R390.6.A4 and ISA 620 A14 to ISA 620 A20 should be consistent, to facilitate especially a PA's assessment of the CCO of an expert.</p> <p>Since it is proposed to prohibit a PA or SAP from using an expert's work if the expert is not competent, capable or objective, it is an important decision for the PA or SAP, and a decision that will require professional judgement. It is advised to provide more guidance on whether a PA or SAP's consideration should include the weighting of CCO individually, and how/whether a PA or SAP's decision should be based on the combined effect</p>
EY	<p>We believe the prohibition in proposed paragraph R390.12 / R5390.12 should be determined based on whether the PA / SAP concludes that the external expert does not have the necessary competence, capability and objectivity for the PA's / SAP's purpose, or is unable to obtain the information needed to perform the evaluation, in which case the Code should prohibit the PA / SAP from using the external expert's work. However, with regard to the evaluation of objectivity, we believe this is a matter that requires close coordination with IAASB since the evaluation of an external expert's objectivity is a matter that impacts the availability of evidence used in audit, other assurance and sustainability assurance engagements. The IESBA should consider discussing with the IAASB whether there is a possibility of alternative procedures or other actions that could be taken by the PA / SAP, such as adjusting the scope or purpose of the work, to allow them to conclude that the work of the external expert could be used (i.e., to allow the PA / SAP to conclude that the necessary objectivity for the PA's / SAP's purpose is achieved).</p> <p>Please also see our responses to question two above with regard to first determining the necessary CCO for the PA's / SAP's purpose and the factors used to evaluate the objectivity of an external expert in the context of NAS. We believe it needs to be clear that the evaluation of and conclusion on the external expert's objectivity is in relation to the necessary degree of objectivity needed for the PA's / SAP's purpose for all professional services.</p>
Grant Thornton	<p>We do agree that if the PA or SAP has assessed the expert as not competent, capable, or objective then that expert would not be an appropriate to perform the needed work and should not be engaged by the PA or SAP. As noted above, we believe this assessment should</p>

		<p>be done via the conceptual framework, with appropriate application guidance instead of requirements mirroring independence requirements for audit and engagement team members.</p>
	<p>PwC</p>	<p>Establishing a standard for evaluating CCO</p> <p>We appreciate the IESBA's intent to prohibit PAs and SAPs from using the work of an external expert when it is inappropriate to do so based on concerns over an expert's competence and capabilities. However, similar to our comments in response to question 2, with respect to objectivity, we believe the proposals could benefit from recognizing the judgements that a PA or SAP needs to make in determining whether it is appropriate to use the work of an expert. The requirements as written give the impression of being binary. We believe that the approach should align with that set out in the auditing and assurance standards (see ISA 620), which allows for consideration of threats and safeguards depending on the level of threat to objectivity and significance of the work. A key part of the professional judgement of a PA or SAP should be to assess the objectivity in relation to the specific facts of the situation, including the type of engagement and type of client. For example, an interest that the external expert might have in the client could result in an assessment of the individual not being objective in relation to an assurance engagement. However, the PA or SAP might determine in their professional judgement that the external expert with that same interest in the client can be objective in relation to a non-assurance engagement for a non-assurance client. The EM (see, for example, paragraph 62) and the proposed standard itself (see, for example, proposed paragraph 390.7 A1) appear to support this concept, where they indicate the "heightened expectations regarding the objectivity of an external expert whose work is used in an audit or other assurance engagement." We advocate that the IESBA build these distinctions into the final pronouncement, to make clear that not only are a different set of factors appropriate based on the type of engagement, but the PA's or SAP's conclusions, applying their professional judgement, on the objectivity of the external expert might also be different based on the type of engagement and type of client.</p> <p>As further described in our response to question 4, we believe the proposals in paragraphs 390.8-11 might, in certain cases, result in experts either refusing, or being unable to provide the level of information requested. When coupled with the provision in proposed paragraph 390.12(a), as currently drafted, this might result in the unintended adverse consequence of precluding the necessary use of the work of external experts in some circumstances. Specifically, in emerging areas such as sustainability assurance engagements, where there will be a critical need to use the work of external experts in the event of a lack of adequate competence and capabilities on the part of the SAP, the strict prohibition as proposed may result in SAPs being unable to accept and conduct engagements in the absence of qualified external experts.</p> <p>The reference in proposed paragraph 390.12(a) to not being able to "obtain the information needed" seems dependent on the extent to which the external expert is able and willing to provide the information (and whether they provide all of the information required by the proposal), versus providing flexibility to the PA or SAP to ascertain objectivity based on their own inquiries of the external expert and applying professional judgement to the information they have been able to discern from those inquiries. In our view, these proposals might pose a risk of undermining, rather than enhancing, engagement quality, if they result in the disqualification of use of experts, when necessary in the</p>

		<p>circumstances of an engagement, because of the inability to “obtain” certain information.</p> <p>We believe proposed paragraph 390.12(a) should be revised to instead refer to the PA or SAP being precluded from using the work of an expert when they are “unable to determine whether the expert is competent, capable and objective” (as opposed to “unable to obtain the information needed”). Such a threshold would inherently encompass an inability to obtain information on which to base the practitioner’s determination. Application guidance could be included to explain potential limitations related to access to information that may preclude a practitioner from being able to make a determination. Coupled with the proposed additional factors described in our response to question 2 regarding significance of the work of an expert to the practitioner’s overall engagement and safeguards that may address potential threats to objectivity that are not deemed significant, this would be a more proportionate and reasonable approach.</p>
	RSM International	<p>We agree with the principle behind the requirement but recommend that R390.12 is amended in line with our response to question 2 above where we noted that the determination of CCO is dependent on the purpose for which the external expert is being engaged. We recommend that the wording of the requirements in proposed paragraph R390.12(b) is updated to be consistent with paragraph R390.6 as follows:</p> <p>R390.12</p> <p>(b) The accountant determines that the external expert is not competent, capable or objective. does not have the competence, capability or objectivity to perform the services for the accountant’s purpose.</p>
<b>Independent National Standard Setters</b>		
	New-Zealand Auditing & Assurance Standard Board	<p>Yes. We agree with the proposal in sections R390.12 and R5390.12 that if an external expert is not competent, capable or objective, then their work cannot be used by the PA/SAP.</p> <p>Inherent limitations in evaluating an external expert’s competence, capabilities or objectivity</p> <p>The application material within Sections 390.19 A1 and 5390.19 A1 states that when using the work of an external expert, communication around inherent limitations might be especially relevant when there is a lack of information to evaluate the external expert’s competence, capabilities or objectivity, and there is no available alternative to that external expert.</p> <p>We recommend that the IESBA clarify the purpose of this application material. If there is a lack of information to evaluate the external expert’s CCO, it is unclear how communication responsibilities for the assurance practitioner might be especially relevant.</p>
<b>Professional Accountancy Organizations (PAOs)</b>		
	ACCA	<p>We agree with the premise that if an external expert is not competent, capable, or objective, the Code should prohibit the PA or SAP from using their work. However, we also believe that consistency between language and standards where possible is necessary to avoid</p>

		<p>confusion in application and terms. According to ISA 620, paragraph 13b, the auditor is empowered to implement additional procedures or request further work from the expert if the initial work is deemed inadequate for the audit's purpose. ED-WEE explicitly states in R390.12 that the professional accountant shall not use the work of the external expert if they determine that the external expert is not competent, capable or objective. During our outreach, a question was raised as to whether the explicit prohibition is necessary.</p> <p>We note for timing of the CCO evaluation, that the IESBA is proposing that the practitioner is not precluded from permitting the external expert to begin work while the CCO evaluation proceeds simultaneously, provided that the external expert has agreed to the terms of engagement to provide all the information necessary to facilitate the evaluation. Questions were raised during our outreach as to how this would work in practice if the expert has begun work but does not then reach the CCO evaluation requirements. We suggest that the evaluation should be completed before the start of the engagement, whilst acknowledging there may be unavoidable constraints, for example a tight window to do the work and secure the information requested to do the CCO evaluation. If it takes place in parallel with the work, as per the proposals, this potentially poses a risk that the practitioner may not then be able to rely on that work or alternatively if the work is already being undertaken by the expert, the practitioner will have a greater incentive and or bias to conclude positively on the CCO of that expert.</p>
	CAANZ	<p>We do not support the proposed prohibition. We support paragraph R120.3 of the Code which requires the PA to apply the Conceptual Framework (CF) to the fundamental principles set out in Section 110. Prohibitions within a principles-based Code should be used with caution and only to address significant public interest risk/s where safeguards are not available. Where there are no safeguards available to reduce risks to objectivity to an acceptable level, as determined by the reasonable and informed third party test, we support the outcome of the CF which requires the PA/SAP to disengage from the professional appointment.</p> <p>We believe it will be more common for PAs and SAPs to initially select an expert based on their competency and capability, an assessment of objectivity would then follow. Therefore, failing the CCO test will most likely be due to threats to objectivity, which in some cases may be able to be reduced to an acceptable level by the application of safeguards. We recommend the Code requires the PA/SAP to assess whether an otherwise, competent and capable expert can address threats to objectivity by applying safeguards.</p>
	Colombia's National Institute of Public Accountants	<p>We agree. If an external expert does not meet the CCO requirements, they should not perform the work, since the user of the information to be analyzed by the external expert expects that the work adheres to a transparency, ethics and efficiency principle. This cannot be replaced by allowing the practitioner or assurance professional to carry out other procedures to somehow cover these deficiencies in the external expert. Additionally, in that case, the external expert would be evaluating matters that are beyond the scope or expertise of said professional.</p>
	Chartered Accountants	<p>We believe the binary nature of this requirement, specifically R290.7 (a), R390.12 (a) and 5390.12 (a), presents some challenges, and undermines the conceptual framework that involves identifying and assessing threats and implementing appropriate safeguards to eliminate</p>

<p>Ireland</p>	<p>those threats or reduce them to an acceptable level.</p> <p>It is widely acknowledged that in smaller jurisdictions, the number of experts in certain fields can be limited, especially in some areas of technical sustainability information assessment. Achieving compliance with some of the Code's requirements, especially those we highlight in our response to question 4 below, and the ability to obtain all information for a complete CCO evaluation may be challenging and, according to the Code, it will therefore not be possible to engage the external expert. This can have a detrimental impact on the public interest, reduce the quality of engagement performance, increase costs for organisations and, in some cases, stakeholders, e.g. those relying on value chain sustainability information. One matter that does not appear to be considered in the explanatory memorandum is there may be legal and regulatory requirements at a jurisdictional level preventing an expert performing work in another jurisdiction, such as, work permits etc.</p> <p>For certain types of engagements there may be additional complexity due to the nature, geographical location and characteristics of the matters to be considered. The ability to use experts to assist in addressing such matters is essential to achieving higher quality engagement performance and outcome. Rather than require an external expert not to be used in the event there is limited information or potential threats to their objectivity, we recommend instead a requirement to apply sufficient safeguards, and only in the event this is not possible the work of an external expert should not be fully relied upon. This would be consistent with the ISA 620 approach, which requires the auditor to perform additional procedures appropriate to the circumstances.</p> <p>We do not agree with the IESBA assertion in the explanatory memorandum (Para 70) that consulting with the appropriate regulatory or professional body will ascertain the proper next steps, as this may compromise the objectivity and independence of its regulatory role, and these bodies may not be sufficiently informed of all necessary and relevant information to advise the PA or SAP on next steps.</p> <p>In relation to obtaining information to evaluate objectivity, we appreciate the IESBA concern regarding applying the safeguard of transparency and disclosing to relevant stakeholders any practitioner's concerns regarding objectivity and how this may present an opportunity for requirement arbitrage (Para 68 of the Explanatory Memorandum). However, there are some circumstances where transparency may be an appropriate safeguard, for example, where there is uncertainty rather than evidence of a significant threat to objectivity. Therefore, we do not agree with limiting the range of safeguards that can be considered by a practitioner. We fully support the requirement not to use the work of an expert where there is a significant threat to objectivity that cannot be appropriately safeguarded against.</p> <p>We believe SMEs and SMPs will be even more negatively impacted by the inability to engage an external expert under this requirement as, given their limited internal resources and the impracticality of employing internal experts, they are most likely to require one. The alternative, suggested by the IESBA, of engaging an external expert from another jurisdiction, will be a significant cost burden and present difficulties for these organisations who may not have sufficient networks or knowledge of providers in markets other than their own.</p> <p>We have further concerns on the application of these requirements in the context of the Code's requirements for evaluating CCO for audit</p>
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		and other assurance engagements. These are outlined further in our response to question 4 below.
	CPA Australia	CPA Australia supports the inclusion of this prohibition. However, as noted by the IESBA, transitional arrangements may need to be considered for jurisdictions where there are limitations on the availability of experts, which in turn may impact the practicality of imposing a total prohibition during the transitional period.
	CPA Canada PTC	<p>The PTC is in general agreement with the Code prohibiting the PA or SAP from using an external expert’s work if their assessment determines the expert is not competent, capable or objective. However, because the PA or SAP can undertake the CCO assessment of the external expert after the engagement has started, there is a risk relating to how this will be performed and the understanding by both parties of what information will be required to complete it. The PTC recommends that IESBA provide additional application material in paragraphs 290.5 A1, 390.5 A1 and 5390.5 A1 to emphasize the importance of discussing the specific information that the external expert will provide to complete the CCO when agreeing to the terms of an engagement. For example, by adding a bullet to proposed paragraph 290.5 A1 to include “The information that the professional accountant expects the external expert to provide to complete the CCO assessment”.</p> <p>Proposed paragraphs R390.5 (b) and R5390.5 (b) require that, in the context of an audit, sustainability or other assurance engagement, the PA or SAP, in the terms of engagement, agree on the provision of information needed for the evaluation of the external expert’s CCO. However, the PTC thinks that proposed paragraphs 390.5 A1 and 5390.5 A1 would also benefit from additional bullets, to emphasize the importance of discussing the specific information required and propose adding “The specific information the PA (or SAP) will require from the external expert to complete the CCO assessment.” This might help to improve understanding of the factors relevant to the CCO in the early stages of an engagement and reduce the risk that an external expert will be engaged that will not satisfactorily pass the CCO evaluation. Alternatively, the IESBA could consider adding additional guidance in the non-authoritative guidance documents, education materials or FAQs that accompany the roll-out of sections 290, 390 and 5390.</p> <p>In addition, the PTC appreciated the application material in paragraphs 290.12 A2, 390.17 A2 and 5390.17 A2 regarding evaluating the competence of an external expert in an emerging field or area, however, proposes that additional non-authoritative guidance should be provided by IESBA on evaluating the level of competence of an external expert in an emerging area/ industry versus a mature area/ industry.</p> <p>The PTC believes that the alignment between the proposals in this Exposure Draft and ISA 620 is critical, and therefore appreciates the ongoing collaboration between IESBA and the IAASB on harmonization as the proposals are finalized.</p> <p>Finally, the PTC identified that in paragraphs 290.6 A4, 390.6 A4 and 5390.6 A4 the phrase “...knows or is aware of...” is included, which is different than “...knows or should know...” or “...knows or has reason to believe...” used elsewhere in the current Code. The PTC thinks that clarification of the IESBA’s intent in using different terminology in these paragraphs would be helpful.</p>
.	ICAEW	As a general principle, we agree that where a potential expert is deemed not to be competent, capable or objective (CCO), they should not

		<p>be instructed.</p> <p>However, as stated above, we consider that in practice the process of determining whether a person is CCO -and therefore suitable to act as an expert- is not necessarily a binary assessment. We therefore recommend that the provisions should allow for a more nuanced approach.</p> <p>Further, we consider that there may be some jurisdictions, sectors or specialisms in which there is only a very limited pool of experts available; or circumstances such as those implied by the wording of proposed Section 390.19.A1.</p> <p>In such circumstances, we consider that there is merit in IESBA considering the inclusion of an “exceptional circumstances” provision, particularly as regards objectivity.</p> <p>This might be to the effect that where there is a limited pool and a risk that none of the members of this pool would be deemed to be CCO, transparency declarations or other mitigations might be employed to mitigate threats arising out of the use of an expert in this situation.</p> <p>We note that the IESBA proposals do not appear to be fully consistent with the approach adopted by IAASB in ISA 620, which does not absolutely preclude the use experts where they are deemed not to be competent, capable or objective. Rather, ISA 620 requires consideration of the output of the expert in such circumstances and the existence of appropriate safeguards, which might include factors such as expert’s profession, regulation and legislation.</p> <p>Other relevant factors might include the extent and sophistication of any quality management system employed by the expert in doing the work and producing a report; as well as the weight to be attributed to the expert’s contribution and expressed opinion, in the overall assurance context of the engagement.</p>
	<p>ICAS</p>	<p>We have concerns that, for an audit engagement, the requirement within paragraph R390.12 may cause issues with ISA 620 (paragraph 9 and related application material) where the auditor is required to evaluate whether the expert has the necessary competence, capabilities and objectivity, given that there is no equivalent to the prohibition contained within paragraph R390.12 i.e. in accordance with ISA 620, the PA can still assess what they could do to use the external expert’s work or part of their work.</p> <p>Whereas one might argue that the list provided in paragraph R390.8 should create a rebuttable presumption in relation to the objectivity of the expert concerned, in accordance with the spirit of ISA 620 we believe there is a need to allow flexibility and for the PA to have the ability to exercise professional judgement in their final assessment of CCO.</p> <p>We believe that instead of the proposed ‘binary test’ in paragraph R390.12, a threats and safeguards approach would be more appropriate, proportionate and help to ensure there is sufficient availability of external experts.</p>
	<p>IDW</p>	<p>agree that an external expert must have the necessary competence, capabilities and objectivity for the accountant's purpose and that in making his or her evaluation the accountant should take this purpose into account. We support the proposed wording of R390.6: “The</p>

		<p>professional accountant shall evaluate whether the external expert has the necessary competence, capabilities and objectivity for the accountant’s purpose.” reflecting the approach taken by the IAASB in ISA 620.09: “The auditor shall evaluate whether the auditor’s expert has the necessary competence, capabilities and objectivity for the auditor’s purposes.”. This wording implies a sliding scale in that the level of competence, capabilities and objectivity need to “fit” what is necessary for the PA’s purposes.</p> <p>We suggest IESBA clarify that this is the intent and explain the factors that may be taken into account in evaluating whether the level of competence, capabilities and objectivity indeed meet what is necessary for the PA’s purposes.</p> <p>We are also concerned to note that in contrast, R390.12 reads: “The professional accountant shall not use the work of the external expert if:</p> <p>(a) The accountant is unable to obtain the information needed for the accountant’s evaluation of the external expert’s competence, capabilities and objectivity; or</p> <p>(b) The accountant determines that the external expert is not competent, capable or objective.”</p> <p>And therefore, suggest the wording of R390.12 (b) be aligned to read: “The accountant determines that the external expert does not have the necessary competence, capabilities and objectivity for the accountant’s purpose.”</p> <p>Evaluation</p>
	<p>Institute of Public Accountants Australia</p>	<p>Subject to the comments made in response to question 2, IPA generally supports this proposal.</p> <p>In the context of limitations in the availability of experts for emerging market services (eg sustainability reporting, sustainability assurance services), IPA encourages IESBA to develop appropriate transitional provisions to support the integrity of the revised Code.</p>
	<p>Japanese Institute of Certified Public Accountants</p>	<p>When a PA or SAP is to use the work of an external expert in jurisdictions or fields with limited availability of experts, we assume that we may encounter difficulty in ensuring that the external expert is objective, even if the PA or SAP considers using an expert from another jurisdiction or consulting with the appropriate regulatory or professional body. In this case, if the PA or SAP is prohibited from using the work of an external expert who is not objective, particularly in an audit or other assurance (including sustainability assurance) engagement, we believe that a situation might arise in which the PA or SAP cannot express an audit opinion or another assurance opinion in a specific area or field. In order to avoid such situation, we suggest that the IESBA add a provision in which a PA or SAP can use the work of an external expert who may not be sufficiently objective if the PA or SAP determines that the work of the external expert does not significantly influence the outcome of the audit engagement or other assurance engagement considering, for example, the significance of the work of the external expert. Furthermore, we suggest that the IESBA provide guidance on how to consider such situations in which a PA or SPA can use the work of an external expert even if the external expert may not be sufficiently objective.</p> <p>In addition, we suggest that the IESBA coordinate with the IAASB in the process of finalizing the revisions to the Code because we believe</p>

		<p>that it is necessary to set out actions of the PA or SAP other than using the work of an external expert in assurance standards to address situations in which the external expert does not have competence, capability or objectivity.</p> <p>When the IESBA develops transitional provisions relating to using the work of an external expert in areas or fields with limited availability of experts, we also suggest that such transitional provisions be based on the assumption that new technology and new areas or fields will continue to emerge in the future.</p>
MIA		<p>We agree with the intention of the proposal that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work. With respect to objectivity, the proposals could benefit from recognising the judgments that a PA or SAP needs to make in determining whether it is appropriate to use the work of an expert.</p> <p>The approach should align with that set out in the auditing and assurance standards such as International Standard on Auditing (ISA) 620, Using the Work of an Auditor’s Expert, which allows for consideration of threats and safeguards depending on the level of threats to objectivity and significance of the work. A key part of the professional judgment of a PA or SAP should be to assess the objectivity in relation to the specific facts of the situation, including the type of engagement and type of client.</p> <p>We propose that the IESBA build these distinctions into the final pronouncement. This would clarify that not only should a different set of factors be considered depending on the type of engagement, but also that the conclusions reached by the PAs or SAPs in applying their professional judgment to assess the objectivity of the external expert may vary depending on the type of engagement and type of client.</p> <p>In addition to this, we believe that the proposed paragraphs 390.8 to 390.11 may result in some experts either refusing or being unable to provide the level of information requested. The reference in proposed paragraph 390.12(a) to not being able to “obtain the information needed” seems dependent on the extent to which the external expert is able and willing to provide the information. This might result in the unintended adverse consequence of precluding the necessary use of the work of external experts in some circumstances.</p> <p>The strict prohibition as proposed may result in SAPs being unable to accept and conduct engagements in the absence of qualified external experts. These proposals inadvertently risk undermining, rather than enhancing, engagement quality. We believe proposed paragraph 390.12(a) should be revised to instead refer to the PA or SAP being precluded from using the work of an expert when they are “unable to determine whether the expert is competent, capable and objective” (as opposed to “unable to obtain the information needed”). Such a threshold would inherently encompass an inability to obtain information on which to base the practitioner’s determination.</p>
Saudi Organization for Chartered and Professional Accountants		<p>SOCPA agrees while there may be challenges related to the availability of experts, as said in the exposure draft, compromising on the standards of competence, capabilities, and objectivity is not an acceptable solution. (paragraph R290.7)</p> <p>However, SOCPA believes if it is determined that the external expert does not satisfactorily pass the CCO evaluation, in situations determined to be acceptable by the PA or SAP, the PA or SAP should be allowed to perform additional procedures to satisfy any shortcoming identified. While it could be argued that the CCO evaluation is an ethical issue, this is not always true. CCO relates competence, capabilities</p>

		<p>and objectivity. Thus, whereas objectivity could be an ethical issue, competence and capabilities are not solely an ethics issue.</p> <p>ISA 620, paragraph 13, allows for additional procedures to be performed by the PA or for additional work to be performed by the expert, should the auditor determine that the auditor’s expert’s work is inadequate for the auditor’s purpose. SOCPA believes the Code should incorporate a similar exception in cases where the PA or SAP identifies that the expert does not have the adequate competence or capabilities. This would be very important in regions where external experts are scarce, firms may face difficulties in engaging qualified experts for specific engagements, especially those requiring specialized knowledge or skills – ex: sustainability assurance related work. This could lead to delays in project timelines or compromises in the quality of work performed.</p>
	<p>The South African Institute of Chartered Accountants</p>	<p>SAICA agrees that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work as this helps to enhance quality in the profession and aligns with protecting the public interest. However, the IESBA needs to consider that there might be unintended consequences due to the difference between the Code and ISA 620. In ISA 620 there is no prohibition that an expert is not competent, capable or objective. We recommend that the IESBA determines the impact of this in the finalisation of this ED.</p> <p>SAICA further recommends that during the IESBA’s awareness campaign on the use of external experts, the IESBA should highlight that professional accountants should include in the agreement that if the external expert does not meet the competent, capable or objective criteria that there will be no reliance on his/her work.</p>
	<p>WPK</p>	<p>As noted above, we principally agree that professional accountants shall not use the work of an external expert who does not have the necessary competence, capabilities or objectivity for the accountant’s purpose. However, as suggested in our recommendation in relation to question 2, above, we consider a higher degree of flexibility in the assessment to be necessary.</p>
<p><b>Regulators and Oversight Authorities, Including MG members</b></p>		
	<p>CEAOB</p>	<p>Paragraph R390.12 states that “The professional accountant shall not use the work of the external expert if: [...] (b) The accountant determines that the external expert is not competent, capable or objective”. The Code gives no (or limited) guidance on how the PA proceeds to such a determination, especially for an audit or other assurance engagement. Indeed, if any of the relationship disclosed on paragraph R390.8 occur, the Code is silent on the conclusions the PA is expected to draw concerning the external expert’s objectivity.</p> <p>It could be made clearer in paragraphs R390.12 and R5390.12 that the accountant must determine that the expert is competent, capable and objective.</p> <p>The performance of consistent CCO evaluations across jurisdictions is one of the matters that should also be addressed. For example, in sustainability assurance engagements experts may be used from a firm’s international network. We propose to address this situation in the factors relevant to the evaluation of the CCO of the external expert.</p>

	<p>Independent Regulatory Board for Auditors</p>	<p>We acknowledge that, if an external expert does not satisfactorily pass the CCO evaluation, there is no safeguard that will reduce the threats to an acceptable level. Therefore, we agree that the IESBA Code should prohibit the PA/SAP from using the work of an external expert who fails to meet the CCO evaluation.</p> <p>As outlined in the Explanatory Memorandum, certain jurisdictions may not have external experts who meet the CCO evaluation criteria in specific fields. Therefore, it would be beneficial for the IESBA to offer guidance or propose transitional provisions detailing the actions PAs and SAPs could take in such situations. We also suggest that such guidance could include the potential effects of these scenarios on the assurance engagement and the auditor's report.</p> <p>Paragraphs 390.19 A1 and 5390.19 A1 outline the communication responsibilities for PAs and SAPs regarding inherent limitations when utilising the work of an external expert where there is insufficient information to assess that expert's CCO. However, this seems to contradict paragraphs R390.12 and R5390.12, which stipulate that the PA and SAP should refrain from using the external expert's work in such a case. We therefore propose revising paragraphs 390.19 A1 and 5390.19 A1 as follows:</p> <p>390.19 A1 Paragraph R113.3 sets out communication responsibilities for the professional accountant with respect to limitations inherent in the accountant's professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the an external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.</p> <p>5390.19 A1 Paragraph R5113.3 sets out communication responsibilities for the sustainability assurance practitioner with respect to limitations inherent in the practitioner's professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the an external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.</p>
<p><b>Disagree</b></p>		
<p><b>Accounting Firms and Sole Practitioners</b></p>		
	<p>Association of the Italian Audit Firms</p>	<p>We disagree.</p> <p>Assirevi believes that if the external expert is not competent, capable or objective, this may inevitably affect the PA or SAP's decision to use his work. Nonetheless, the evaluation of the audit evidence about the CCO assessment should be addressed by the specific auditing and assurance standard and the IESBA should refrain from setting auditing and assurance standards.</p> <p>Therefore, we disagree that the IESBA requires PA or SAP not to use the work of external expert if the PA or SAP determines that the external expert is not objective. This is a matter of professional judgement, considering the applicable performance standard.</p>

<p>DTTL</p>	<p>Deloitte Global does not agree with the strict prohibition in paragraphs R290.7, R390.12 and R5390.12 against using an external expert when the expert is not considered competent, capable or objective, or when the necessary information cannot be obtained to perform the evaluation. As mentioned above, the audit standard setters have provided means for auditors to evaluate CCO on a spectrum, tailor their responses based on their evaluation and still be able to involve the external expert appropriately. As an example, ISA 620 provides a means for the auditor to adapt their direction, supervision and review over the external expert as the auditor remains responsible for the work and will perform procedures over that work, as opposed to accepting the work at face value or blindly relying on that work. Similarly, the proposed standard does not provide for alternatives for assurance or non-assurance engagements.</p> <p>Consideration of particular facts and circumstances and actions, including safeguards, that can be taken may lead to a scenario where the work of an external expert might still be considered appropriate for the engagement. However, the rules-based prohibition in the proposal offers no flexibility to use that external expert in a way that does not threaten compliance with the fundamental principles. Allowing this flexibility is particularly important for emerging areas where there may be a lack of appropriate external experts, e.g., sustainability assurance engagements. The quality of the work delivered may be negatively impacted if a PA/SAP is not able to use the most appropriate resource in performing their work or delivering a professional service.</p>
<p>KPMG</p>	<p>The proposals in paragraph R290.7/R390.12/R5390.12 establish that if the PA or SAP determines the external expert is not CCO, the PA or SAP cannot use their work. We disagree with the wording being used as the evaluation undertaken by the PA or SAP is to determine if the external expert has the necessary CCO, or put differently, if the external expert has sufficient CCO for their involvement in the professional services in question. In particular, a requirement that the external expert’s work cannot be used if they are not objective (instead of a requirement that the external expert’s work cannot be used if they do not have the necessary objectivity) is not in line with the conceptual framework’s approach to identifying threats to the fundamental principles, evaluating those threats, and applying safeguards to reduce threats to an acceptable level. As a comparison to the IESBA’s proposed binary evaluation, the PCAOB’s AS 1210 standard approaches CCO on a spectrum. AS 1210 provides that “The engagement partner and, as applicable, other engagement team members performing supervisory activities should not use the work of a[n auditor-engaged] specialist who does not have a sufficient level of knowledge, skill, and ability.” AS 1210 otherwise provides that the auditor’s assessment of the specialist’s knowledge, skill, and ability affects the auditor’s determination of the necessary extent of the review and evaluation of the specialist’s work. The AS 1210 standard further notes “The auditor’s assessment of the specialist’s objectivity affects the nature and extent of the auditor’s procedures to evaluate the data, significant assumptions, and methods that the specialist is responsible for testing, evaluating, or developing. Note: The evidence necessary to assess the specialist’s objectivity depends on the significance of the specialist’s work and the related risk of material misstatement.”</p> <p>We believe that the appropriate approach is to apply the conceptual framework in relation to objectivity before concluding whether the external expert has the CCO necessary for the PA’s or SAP’s purposes. The facts and circumstances of the engagement and the evidence to be obtained from the external expert’s work are an important part of the judgment involved. If, after considering these facts and</p>

	<p>circumstances and applying potential safeguards for threats to objectivity, the PA or SAP concludes that the external expert does not have the necessary CCO, then we agree the PA or SAP should be prohibited from using their work.</p> <p>This approach is aligned with ISA 620, where paragraph A18 states in relation to objectivity: “A broad range of circumstances may threaten objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats, and intimidation threats. Such threats may be addressed by eliminating the circumstances that create the threats or applying safeguards to reduce threats to an acceptable level. There may also be safeguards specific to the audit engagement.” To disallow application of the conceptual framework to address threats to objectivity would be in direct conflict with ISA 620 and with the Code.</p> <p>Given the requirements for the evaluation of the use of an external expert are duplicated in the Code, practical application material should also be added to the Code to help PAs and SAPs make the necessary evaluation. Without such, the CCO evaluation will be subject to a wide degree of interpretations across the globe.</p> <p>ISA 620 paragraph A19 states: “The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the auditor’s expert and the significance of the expert’s work in the context of the audit.” This implies that the extent of the evaluation and the CCO that is necessary will vary case by case, depending on the nature, scope and objectives of the external expert’s work. As the proposed paragraph R390.12/R5390.12 hinges on the determination of whether the external expert does or does not have the necessary CCO, it is crucial that the proposals contain practical guidance to help the practitioner arrive at a conclusion as well as allow for an evaluation of potential threats to objectivity and application of safeguards. Without this, the elements of operability and enforceability in the PIOB’s public interest framework will not be met.</p>
<p>Mazars</p>	<p>Whilst we understand the IESBA adopting the principle that there are no safeguards against threats if an expert does not pass the CCO evaluation and, therefore, it is not appropriate to use the work of an external expert where the PA or SAP concludes that the expert is not competent, capable or objective, there will be unintended consequences for audit engagements given the inconsistency between the Code and ISA 620, in which there is no such prohibition on using the expert. The IESBA and IAASB should work together to resolve this inconsistency in a suitable manner as a matter of priority.</p> <p>We note the distinction between the requirements of ISA 620, where an auditor may perform additional procedures where work performed by an expert is not considered adequate for their needs, and the proposals here which relate to the more fundamental ethical considerations of the competence, capability and objectivity of the expert. However, we believe that these two situations should be treated in the same way. The auditor’s assessment of the competence, capability and objectivity of the expert should not be a one-off exercise, nor should it necessarily be a binary “pass or fail” assessment. For example, if the expert is assessed not to fully meet any one of the three criteria, but meets the other two, is this automatically a situation in which the work of the expert cannot be used in any way? This seems onerous and restrictive, and we urge the IESBA to consider whether a more nuanced approach may be taken to consideration of threats and safeguards which, similar to ISA 620, does not necessarily mean that the work of the expert may not be used.</p>

		<p>We have similar concerns for assurance engagements and note that the draft ISSA 5000 sustainability assurance standard, for example, includes the following useful guidance “The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the practitioner’s external expert and the significance of the expert’s work in the context of the engagement. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level” which we believe appropriately permits the practitioner to use the work of the expert in some circumstances while acknowledging that there may be cases where it may not be possible to use their work.</p> <p>Furthermore, in some speciality areas, such as new and emerging specialisms related to sustainability assurance, and in some jurisdictions, there may be a lack of alternative experts available where the work of an expert is needed, and it is not possible to identify experts which fully meet the criteria. This could have serious implications for audit and assurance engagement quality in those jurisdictions.</p> <p>In our view, the IESBA Code should reflect the current situation in ISA 620 and ISSA 5000 and not have an outright prohibition on the use of the expert, permitting the use of their work some circumstances. The Code could further highlight additional considerations for the auditor or assurance practitioner, such as enhanced professional scepticism when evaluating whether it is appropriate and reasonable to use the work of the expert in the circumstances.</p>
<b>Professional Accountancy Organizations (PAOs)</b>		
	<p>Accountancy Europe</p>	<p>No, we do not agree with the prohibition because it assumes that the evaluation of CCO is a binary test and proposed provisions do not allow for any alternatives.</p> <p>We do, however, agree with a requirement to evaluate the external expert’s CCO in the context of an audit or assurance engagement as such requirement is already expected under ISA 620. However, the proposed provisions contradict the requirements in the ISAs, and might lead to a situation where the work of an external expert cannot be used on an audit when they don’t have the necessary CCO. This is contradictory to ISA 620, which provides for a mechanism for the auditor to use the work even if the external expert has interests or relationships that require safeguards for the auditor to be comfortable with their CCO (See ISA 620, paragraphs 9 and 10, and related application material).</p>
	<p>American Institute of Certified Public Accountants Professional Ethics Executive Committee</p>	<p>Overall response: No, this requirement should not be in the code; as discussed in the response to question 2, it should be in appropriate performance standards.</p> <p>Detailed comments:</p> <p>The evaluation of an external expert’s competence, capabilities, and objectivity as well as the determination whether to use of the work of that expert belongs in the performance standards and not the code, as explained in the response to question 2.</p>

<p>CNCC- CNOEC</p>	<p>No, we do not agree with the prohibition to use the work of the expert when the expert did not “pass the CCO test”, especially in view of the requirement added by IESBA in the ED to judge the objectivity of the expert through the lens of independence (see our response to question 4 below).</p> <p>The prohibition foreseen by IESBA goes against ISA 620 which allows the auditor to use the work of the expert with an appropriate threats and safeguards approach and then requires the auditor to evaluate the adequacy of the expert’s work.</p> <p>We consider the approach of ISA 620 to be much more suitable and practical (see our response to question 4 below on the balance to be found in order to be able to use the work of experts on emerging topics such as sustainability).</p> <p>In addition, we are against § 390.6 A1 that seem to imply that by using an expert who did not “pass the CCO test”, the PA would be in breach of its own ethical requirements of integrity, objectivity, professional competence and due care.</p>
<p>FACPCE          (Federación Argentina de Consejos Profesionales de Ciencias Económicas)</p>	<p>Answer: No, because, as mentioned in the answer to question 2., mechanisms could be established so that the auditor can use the work of an external expert even when the latter has interests or relationships, requiring the application of safeguards so that the accountant is comfortable with the external expert's CCO.</p>
<p>International Federation of Accountants</p>	<p>We oppose the manner of this prohibition, and also recognize the proposals will raise practical challenges and that they are inconsistent with ISA 620. If an expert is not CCO under ISA 620, an evaluation of the work of the expert is required and complementary activities can be undertaken to retain use of the work completed by an expert. The approach here goes further in that it prevents the use of an expert if CCO cannot be established. This would interfere with the ability of an auditor to use ISA 620 as intended, and as such the requirements are prohibitively onerous. The wording in R390.12 which states the professional accountant shall not use work of external expert if they cannot obtain the information needed to make an assessment of CCO further compounds the issue with reference to the list of items in R390.8 previously discussed (requirements which are repeated for sustainability assurance in R5390.12 and 8).</p> <p>An assessment of competence under the proposed approach will be highly subjective, as experts will have differing levels of competence and it is unclear what the required level to satisfy the CCO evaluation is, or whether this is high or low. Linking a prohibition to use experts to a subjective assessment will be problematic. The availability of required information will also create issues as it will be difficult in many cases to form a definitive view. Such difficulties will be increased where an expert from another jurisdiction is used, meaning the practitioner may have less awareness of professional practice and other relevant factors in that jurisdiction. Practically, this assessment will often be made without complete information.</p>

It is also difficult to understand the practical basis upon which the assessment of competence should take place. For example, is reliance on the formal certification of experts sufficient, and if so, would this always be available? Alternatively, if examination of prior work needs to take place, would this be possible? Where practitioners are dealing with parties that have superior knowledge and experience in their own field, these will always be challenging assessments. It is recommended that wording in this area is revised to provide clarity and any particular thresholds and bars necessary for the assessment are disclosed to assist practitioners in dealing with uncertainty.

In areas like sustainability, we have noted elsewhere in our response the use of experts will improve the quality of information and of the engagement so the exclusion of experts will be problematic from a public interest perspective. The CCO assessment is detailed and requires significant information that many experts may not be able to provide, so there is a challenge to how strenuous requirements should be to ensure the public interest is best served. The IESBA acknowledges transitional requirements may be needed due to lack of experts in certain areas, but it is not clear whether the prohibitions to use experts if CCO requirements are not met would apply from the effective date or the length of transition period these could be afforded. Transitional provisions will also not assist new areas that emerge requiring input from experts, so will cause ongoing problems in the future. We appreciate the approach taken in this area may be rooted in a desire for simplicity, but this comes with consequences. We note the approach under ISA 620 is more pragmatic than in the proposed revisions here, although in this case there is an established understanding that there will be specific challenges in relation to known new areas where it will take time to establish experts and expertise. As such, the proposals fail both in terms of consistency with extant requirements elsewhere and in terms of pragmatism.

The objectivity assessment will be equally challenging where there are very few experts in certain fields, especially in certain jurisdictions. This could create situations where it is impossible to express an opinion or a conclusion during an engagement. Provisions should be made that permit the use of an external expert even if objectivity is not fully satisfied to assist in such cases, this would be more aligned to the approach that allows application of safeguards in ISA 620. The auditor should have the responsibility for ensuring there is no significant impact on the engagement in relation to objectivity issues.

Finally, proposed R390.6 states: “The professional accountant shall evaluate whether the external expert has the necessary competence, capabilities and objectivity for the accountant’s purpose.”, thus recognizing the need to consider the individual engagement circumstances and degree of reliance on the work of an expert. In contrast proposed R390.12 reads: “The professional accountant shall not use the work of the external expert if:

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

The wording of the R390.12 (b) should at minimum be amended to reflect the consideration of ‘necessary’ competence with wording such as ‘The accountant determines that the external expert does not have the necessary competence, capability or objectivity’. The inclusion

		of necessary would imply the assessment allows for the exercise of judgment and consideration of the individual engagement circumstances and degree of reliance on the work of the expert. The preferential option, however, would be to make this position explicitly clear either through rewording the requirement itself or through providing supporting application guidance. R390.12 (a) is problematic when considered alongside the extensive list of required information in R390.8 that has been discussed in our response to question 2. Overall, the challenges with the CCO assessment mean the resulting prohibitions if requirements are not met are inappropriate. Where the assessment is made on the subjective basis outlined, this should not result in a binary test. There is a critical need for flexibility to be built into this approach to prevent appropriately competent, capable and objective experts from being used.
	Pennsylvania Institute of CPAs	Overall response: No. See answer to question No. 2.
	Royal Netherlands Institute of Chartered Accountants	No, we do not agree with the prohibition because it assumes that the evaluation of CCO is a binary test and proposed provisions do not allow for any alternatives. For further explanation, we refer to the letter from Accountancy Europe dated April 30, 2024.
<b>Agree</b>		
<b>Academia and Research Institutes</b>		
	College of Public Accountants Costa Rica	We agree that, if an outside expert is not competent, capable, or objective, the professional accountant should be prohibited from using his or her work
<b>Accounting Firms and Sole Practitioners</b>		
	Mo Chartered Accountants, Zimbabwe	Yes we agree.
	PKF	We agree.
<b>Independent National Standard Setters</b>		

	Accounting Professional & Ethical Standards Board (Australia)	APESB agrees that if an external expert is not competent, capable or objective, then the external expert's work cannot be used by the professional accountant or sustainability assurance practitioner.
<b>Professional Accountancy Organizations (PAOs)</b>		
	Asociacion Interamericana de Contabilidad	Yes, we agree. All the safeguards proposed are necessary and there should be no exemptions that could cause problems due to the lack of competencies and capabilities of the external expert.
	Botswana Institute of Chartered Accountants	We do agree that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work as elaborated in paragraphs 67-74 of the ED.
	IBRACON	We agree that if an external expert is not competent, capable or objective, the PA or SAP should not use the external expert's work.
	Korean Institute of Certified Public Accountants	The KICPA agrees with the proposal.
	MICPA (Malaysia)	We agree with the proposal of the Code that prohibits the PA or SAP from using the work of an external expert if the external expert is not competent, capable or objective.
<b>Public Sector Organizations</b>		
	UNCTAD's Latin America Regional Alliance	100% of respondents supported the proposal
	United States Government Accountability	We agree that as required by proposed paragraph R390.12, if an external expert is not competent, capable, or objective, the expert's work should not be used.

	Office	
<b>Regulators and Oversight Authorities, Including MG members</b>		
	Botswana Accountancy Oversight Authority	Yes, we agree because there are no safeguards against threats if an external expert does not satisfactorily pass the CCO evaluation. The work of such an expert cannot be used in any professional service or activity.
	International Organization of Securities Commission	Yes, we agree that if an external expert is not competent, capable, or objective, the Code should prohibit the PA or SAP from using his/her work.
	National Association of State Boards of Accountancy (US)	NASBA agrees that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work.
	Public Accountants and Auditors Board, Zimbabwe	The PAAB agrees with the IESBA's proposal to prohibit the use of an external expert's work if the expert is not competent, capable, or objective or if the PA is unable to obtain information needed for evaluation of the expert's COO.
	United Kingdom Financial Reporting Council	The FRC agrees that PAs or SAPs should be prohibited from using the work of external experts if the expert in question is considered to lack competency, capability, or objectivity. It would be a fundamental breach of ethical principles for the work of an external expert to be knowingly used in such circumstances.

#### QUESTION 4

**Question 4: 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 to address the heightened public interest expectations concerning external experts? If not, what other considerations would help to address the heightened public interest expectations?**

Respondent	Extract of Comment
<b>Agree With Comments/ Mixed Views</b>	
<b>Academia and Research Institutes</b>	
<p><a href="#">College of Public Accountants Costa Rica</a></p>	<p>If an appropriate level of rigor is introduced to address the expectations of the public interest, however, we consider it important that it be incorporated in the different sections, that the proposed factors do not limit the accounting professional from requesting any other information that he or she considers important, according to the jurisdiction in which the work is being carried out. In addition, we consider it important that the bill clarifies that when an expert professional has a conflict of interest to perform work in an entity, he or she cannot be hired by a professional or firm to review his or her own work.</p> <p>We agree to the additional provisions relating to the evaluation of the work of an external expert.</p> <p>The Global Reporting Initiative (GRI), and the Sustainability Accounting Standards Board (SASB) establish specific principles and standards for sustainability reporting, although the GRI and SASB do not establish specific ethical principles for sustainability experts, their principles and standards for sustainability reporting have important ethical implications that experts must follow to ensure integrity, objectivity, competence and professional behaviour in the process of attesting and verifying sustainability information. Therefore, experts involved in sustainability measurement and reporting must also adhere to the principles and standards of the GRI and SASB.</p>
<b>Accounting Firms and Sole Practitioners</b>	
<p><a href="#">Association of the Italian Audit Firms</a></p>	<p>The evaluation of the objectivity of the external expert required for all types of professional services is aimed at verifying the existence of competence, capabilities and objectivity requirements. The IESBA proposal in paragraph R390.8 introduces, with specific reference to audit and assurance engagements, additional elements for the evaluation that relates to independence requirements.</p> <p>Assirevi recognizes that it is important in the context of audit and assurance engagements to assess the objectivity of the expert with greater care. Nevertheless, in Assirevi's view, those additional requirements can create complexities in managing the relationship with the expert, rather than "introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts".</p> <p>Indeed, as highlighted above (see answer to question nr. 2), the scope of these provisions appears to be very broad and, in Assirevi's opinion, should be revised and better specified considering the role that the external expert is to play, as well as the fact that the expert is not part of the audit team (assurance team), nor the auditor's organization. Furthermore, it should be assessed whether, in fact, all situations and circumstances listed by the proposed changes may actually compromise the assessment of the expert's objectivity,</p>

		<p>considering both the nature and the limited duration of the work carried out by the expert. For the same reasons, as already mentioned above (see answer to question nr. 2), it should be excluded from the assessment's scope of application the immediate family members and the organization of the external expert.</p> <p>Finally, the application of independence requirements in the evaluation of the external expert's objectivity seems to bring the external expert closer to the audit team. This, on one hand, results inconsistent with the definition included in the Exposure Draft which explicitly states that an "external expert" is not a member of the engagement team, audit team, review team. On the other hand, it could raise interpretative doubts about the fact that, if the external expert does not meet the "independence" requirements provided for by the IESBA, the auditor may also consider its independence compromised.</p>
	<p>BDO</p>	<p>Although BDO agrees in principle that a higher level of rigor is appropriate for such assurance engagements to address the heightened public interest, we have some reservations in respect of the additional provisions as detailed above.</p> <p>The provisions will likely require experts to implement enhancements to their internal quality management systems, which may impact market availability of experts.</p> <p>It must also be recognised that in practice, audit firms will be reliant on the external expert to provide accurate confirmations concerning their independence, as information on the external expert will be outside of the firm's internal quality management systems.</p> <p>Firms will be limited in their ability to obtain corroborating evidence in this regard.</p> <p>Recommendations</p> <p>Explicitly setting expectations with regards to the firm's limitations within the standard, will help eliminate the risk of any expectation gap amongst other stakeholders.</p>
	<p>DTTL</p>	<p>"Entity at which the expert performs work" • We suggest changing this phrase throughout the standard (e.g., paragraphs 290.6 A7, 390.6 A6, R390.8, R5390.8, etc.) to "the entity at on which the expert is performing work."</p> <p>This change would avoid a potential misinterpretation that the standard is referring to a physical location, rather than the entity for which the external expert is providing their expertise.</p> <p>Appendix A: Assessment of the Elements of R390.8 (also relevant for R5390.8) Deloitte Global considers an external expert will be more likely to answer questions posed to them if those questions are more in line with the items that could potentially impact the expert's objectivity rather than having an overly broad list asking for information that has little relevance to the assessment. Further we believe the external expert should only be required to disclose relationships involving their immediate family member or employing organization when they know or have reason to believe such relationship might be relevant for their objectivity.</p>

	<p>Requested Information</p> <p>(a) 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;</p> <p>Comments (Also see comment in Question 4 about the period of time for which this information is required)</p> <p>Limit the specific request to only the external expert and only material financial interests, as immaterial financial interests would be unlikely to impact the external expert's objectivity in performing their work.</p> <p>The concept "indirect financial interest" will likely not be readily understood by an external expert.</p> <p>(b) Any loan, or guarantee of a loan, made to the entity by the external expert, their immediate family, or the external expert's employing organization, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;</p> <p>(c) Any loan, or a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization from the entity if it is a bank or similar institution, other than where the loan or guarantee is made under normal lending procedures, terms and conditions;</p> <p>(d) Any loan, or a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization from the entity if it is not a bank or similar institution, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;</p> <p>Limit the specific request to only the external expert and only loans that are material to the external expert, as immaterial loans would be unlikely to impact the external expert's objectivity in performing their work. Exclude from the request the assessment of materiality with respect to the entity as the external expert will not have the information to perform such analysis.</p> <p>April 30, 2024 Page 10</p> <p>(e) Any close business relationship between the external expert, their immediate family, or the external expert's employing organization and the entity or its management, other than where the financial interest, if any, is immaterial and the business relationship is insignificant to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity or its management;</p> <p>(f) Any previous or current engagements between the external expert or their employing organization and the entity;</p> <p>(g) How long the external expert and their employing organization have been associated with the entity;</p> <p>(h) Any position as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the</p>
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	<p>entity's financial or non-financial information, or the records underlying such information: (i) Held by the external expert or their immediate family;</p> <p>(ii) Held or previously held by the external expert; or</p> <p>(iii) Held or previously held by management of the external expert's employing organization;</p> <p>(i) Any previous public statements by the external expert or their employing organization which advocated for the entity;</p> <p>(j) Any fee or contingent fee or dependency on fees or other types of remuneration due to or received by the external expert or their employing organization from the entity;</p> <p>This request is unnecessary. This assessment of past public statements is not required for new audit team members and what is considered a "public statement" or "advocated for the entity" is too subjective.</p> <p>This is extremely invasive, especially as it relates to the employing organization, nor is it clear why any fee that is due from the entity is relevant for the assessment of objectivity. This question requires further refinement to focus on fee arrangements that are relevant in the context of the work the external expert is performing in connection with the audit or assurance engagement.</p> <p>(k) Any benefits received by the external expert, their immediate family or the external expert's employing organization from the entity;</p> <p>It is not clear what is meant by "benefits received" (especially for the employing organization), nor is this information required for current audit team members. This question is not necessary.</p> <p>Limit the specific request to only the external expert and only business relationships that are significant to the external expert, as insignificant business relationships would be unlikely to impact the external expert's objectivity in performing their work. Exclude from the request the assessment of significance with respect to the entity as the external expert will not have the information to perform such analysis.</p> <p>Should be more focused on work performed in relation to the work the external expert is performing at the entity, but this information can be obtained from the entity instead of the external expert to avoid confidentiality concerns. This question is not necessary.</p> <p>It is not clear what is meant by "associated with the entity." Furthermore, the other more pointed questions about the relationships between the PA/SAP and the external expert are more relevant. This question is not necessary.</p> <p>The request is too broad. It should be more focused on whether the external expert was employed in a position that is relevant in relation to the work the external expert is performing at the entity.</p> <p>(l) Any conflict of interest the external expert or their employing organization might have in relation to the work the external expert is</p>
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performing at the entity; and

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

This should be limited to the external expert only.

This is expanding significantly beyond the employing organization, will be difficult to obtain and would have very little bearing on the expert's objectivity. This should be deleted.

While we acknowledge the importance of assessing the CCO of an external expert in connection with an audit or assurance engagement, Deloitte Global has concerns with the operability of the proposal and that this may lead to unintended consequences. Namely, the information being requested is unnecessarily broad, the period of time over which this assessment must be carried out is too long, there may be barriers to a PA/SAP's ability to obtain this information, and the standard lacks guidance on how objectivity should be assessed. Particularly for audit and assurance engagements, we believe this proposal may result in unintended consequences of inhibiting competition in the market, increasing costs and negatively impact overall quality, all of which are not in the public interest.

#### Operability of the Proposed Standard

The requested information is unnecessarily broad: The list in paragraphs R390.8 and R5390.8 has been derived from the extant Code's sections on independence and essentially requires the PA/SAP to evaluate the external expert's objectivity through the lens of independence. As mentioned above, the provisions significantly expand what is currently in ISA 620 and it is unclear why. The ED seems to be imposing the "independence" expectations for engagement team members on the external experts as well as their organization and even those who control the organization. Some of the elements go beyond what is required under the Code for a new engagement team member, such as any previous public statements about the entity or a financial interest held during the engagement period but before they joined the engagement team. Deloitte Global urges the Board to scale back the specific information that is required to what is most relevant as it relates to the external expert's objectivity in performing their work. See Appendix A for our specific reactions on each of the elements required under paragraphs R390.8 and R5390.8.

Not only is the proposal placing "independence" requirements on the external experts as if they are an engagement team member, it treats the expert's employing organization (and its controlling owners) almost as if they are "component auditor firms." We believe this approach places an unnecessary burden on the external expert's organization, especially for a large organization where these relationships are unlikely to impact that individual's objectivity, and would require monitoring that is similar to what ISQM1 demands to ensure compliance (yet there is no mechanism to demand that such monitoring occur.) This approach will necessitate an extensive data collection effort that will not be a one-time exercise. As further discussed below, the requirement to be alert to changes throughout the the period covered by the audit or assurance report and the engagement period creates a monitoring requirement to which many of

these organizations are unaccustomed.

Recognizing an external expert is not considered to be a member of the engagement team, Deloitte Global believes the information should only be requested with respect to the external expert, not their immediate family members or their employing organization. The external expert should only be required to disclose relationships involving the latter two parties that they know or have reason to believe it might be relevant for their objectivity. This would partially avoid the difficulties in obtaining the information that is discussed below. It also is unclear why those controlling the employing organization are relevant to the external expert's objectivity and should be removed from the assessment entirely.

Finally, it is important to recognize that external experts' roles may vary greatly from one engagement to another, yet all external experts are being treated equally under this standard. We believe the Board should reconsider including the significance of the expert's work and the related risk of material misstatements as factors when determining the steps needed to assess their objectivity.

The period of time over which this assessment must be carried out is too long: Deloitte Global notes the proposal refers to "the period covered by the audit or assurance report and the engagement period" as the period during which objectivity should be evaluated. In practical terms, this period will often be in excess of 12 months and the expert would be required to monitor and update the relationships involving family members, team members and the employing organization. This time period is unnecessarily long considering the external expert's involvement may only be for a very short period of time. Rather, we suggest limiting the time period to the external expert's engagement period and should end upon their completion of the related activities.

There may be barriers to collecting the information: We have concerns about the PA/SAP's ability to collect the information set forward in paragraphs R390.8 and R5390.8 from the external expert for the following reasons: • Much of the required information is personal in nature and is not only about the external expert, but their immediate family members as well. The external expert may refuse to provide the information to the PA/SAP simply because they do not feel comfortable disclosing their personal information, as opposed to them lacking objectivity. In addition, in some jurisdictions, local privacy laws or regulations may impact the ability to collect personal information.

• The external expert is required to have all members on their team provide the same information in relation to the entity at which the external expert is performing the work. This increases the chances that someone will not be comfortable providing the information and the expert will be unable to comply with the request or will have to exclude these individuals from their team and potentially lack the necessary resources to serve as an external expert. There is also no definition of who would be considered part of the expert's "team" and could therefore extend to those who are merely performing administrative activities related to the expert's work. If this concept remains, the standard should provide additional detail about to whom this requirement applies. Deloitte Global encourages the Board to reconsider the need to include the team members at all as part of the assessment, especially when considering the external expert will ultimately be responsible for

reviewing and taking responsibility for the work performed.

• The employing organization of the expert may not be able to disclose “any” relationships with the entity due to confidentiality agreements and some of those relationships may not be relevant to the work the expert is performing. The requirement needs to be refined to be more on point with the work performed by the expert.

Lack of guidance on how objectivity should be assessed: Assuming the PA/SAP is able to obtain from the external expert the extensive information required under the standard, Deloitte Global is concerned that it will be difficult for the PA/SAP to determine whether the expert’s objectivity is impaired given the level of subjectivity involved in the assessment. Deloitte Global believes more guidance should be developed, in close coordination with the IAASB, on how to perform the evaluation. Without such guidance there might be inconsistency in the application and could also result in a binary test that would unnecessarily disqualify an expert from being used if any relationship is disclosed when in fact their objectivity might not be impacted under the particular facts and circumstances. Ambiguity in how to assess the objectivity of the external expert could also provide a disincentive for PA/SAPs to seek assistance of external experts out of fear for being second-guessed. This would not be in the public interest.

If the Board decides to retain the requirements for the other team members and employing organization, guidance on considerations, for example, around the level of the team members or nature or extent of their involvement in the work would further inform the assessment. Objectivity may be much less of a concern for a junior staff member who is not applying professional judgment in aspects of their work, or whose work is being reviewed by one or more members of the expert’s team. The same applies to certain interests and relationships held by the immediate family member or the management or controlling owners of the employing organization of the external expert. Although such interests or relationships may be important in the context of the independence of engagement team members or a firm, they could be less relevant as it relates to the objectivity of the external expert.

#### Potential Unintended Consequences of the Proposed Standard

Reduced competition in the market: Given the burdens this will place on the PA/SAP as well as the external expert and their employing organization, a PA/SAP may be less likely to perform audits where they will be required to hire external experts. This standard will have a disproportionate impact on smaller firms that don’t have a wide range of in-house experts and will give larger firms an unfair advantage in the market. This result runs counter to the efforts of many local regulators to open the markets to increased competition.

Increased costs especially for audit/sustainability assurance engagements: The onerous requirements placed on an external expert to provide the required information, especially as it relates to all members of their team and the employing organization, will result in higher compliance costs. This is exacerbated by the need to monitor and update

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this information for an unnecessarily long period of time. Firms have devoted considerable resources to have robust systems of quality management in place to ensure compliance with independence requirements and external experts’ organizations likewise would need to have compliance programs in place to ensure they are meeting their contractual commitment to the PA/SAP. Assuming an organization

		<p>is even willing for its employees to continue serving as external experts for audit and assurance engagements, the cost of compliance would likely be passed along to the PA/SAP which in turn would be passed along to the audit or assurance client. Without empirical evidence that this cost is deemed necessary to overcome a weakness in the current system, the requirements should be scaled more properly as suggested above.</p> <p>Negative impact on audit quality: It is important for this standard to carefully balance the need for objectivity with high quality audit and assurance engagements, recognizing the specific and important role that external experts play and the procedures they perform to assist auditors or assurance providers in performing audit/assurance engagements. If the standard for determining objectivity results in a lack of available external experts in a market or a disincentive for using external experts, it will negatively impact audit quality. This is exacerbated by the standard's misalignment with ISA 620. As mentioned above, the proposal does not provide a means for the PA/SAP to still be able to involve the external expert and use their work by applying safeguards or by adapting their direction, supervision and review over the external expert when there are doubts about the objectivity of the external expert.</p> <p>Deloitte Global acknowledges the Board's suggestion that the PA/SAP could use an expert from another jurisdiction, but this may not always be a reasonable approach, especially if that expert has licensing restrictions for a particular jurisdiction. The IESBA's belief that it will only be a matter of time before the availability of experts grows to meet the demand does not solve an immediate need for high quality audits and the higher demand may also translate to much higher costs with the unintended consequences noted above.</p>
	<p>Grant Thornton</p>	<p>As discussed above, we are supportive of an assessment of the external experts CCO. However, we believe that the requirements suggested are above and beyond what is needed to provide an appropriate assessment. The PA has the ability to navigate the conceptual framework and reach a determination as to the external expert's CCO without adding requirements akin to independence requirements of audit and engagement team members.</p> <p>In addition, the requirement to assess the CCO of the PA is in the ISAs and additional requirements to assess should not be included in the Code.</p> <p>The proposal does not provide guidance to the PA as to what to do if a relationship is uncovered. Does this mean that the expert is now not competent, capable, or objective? What if the relationship is with an immediate family member? We believe that the conceptual framework, along with appropriate application guidance would be far more helpful in making an appropriate assessment instead of a checklist of items.</p>
	<p>Mo Chartered Accountants, Zimbabwe</p>	<p>Integrity of the expert is barely, if at all given adequate prominence and with greater emphasis on audit and assurance. This must be equally considered with objectivity and professional competence. Otherwise matters discussed in 77-86 are proportionate, fair, justified and operable.</p>

<p>PKF</p>	<p>We support the general need for an evaluation of the objectivity of an external expert as summarised in 390.7 A1 and 5390.7 A1 of the ED. We appreciate why the timing is appropriate to reinforce the need to evaluate an external expert’s objectives and we agree that to do so will align with public interest expectations concerning the use of the work of external experts. We also agree that the Code is an appropriate set of international professional standards in which to incorporate relevant requirements addressing this matter.</p> <p>However, we have concerns that by stipulating a series of required procedures in paragraphs R390.8 – R390.11 and R5390.8 – R5390.11, the ED has taken a more rules-based approach as opposed to the more customary principles- based approach of the pre-existing requirements and guidance in the extant Code.</p> <p>Our concern is that the change to the Code in adopting a more rules-based approach on this matter, may not result in achieving a consistently high level of compliance by professional accountants and sustainability assurance practitioners. Additionally, prescribing a list of specific information to be provided by the external expert leaves little scope for flexibility should the particular circumstances of the practitioner / external expert relationship justify a modification to the information to be provided.</p> <p>We encourage IESBA to reevaluate whether adopting a more principles-based approach to this matter might ultimately be a more effective approach than the proposed list of procedures.</p>
<p>RSM International</p>	<p>We agree that it is appropriate to have a different approach for the use of external experts to support audit and assurance engagements compared with the use of external experts for non-assurance engagements. However, we do not agree that the proposed standard provides a proportionate level of rigour. Rather, we believe that the requirements as drafted go further than is necessary to obtain assurance relating to the external expert’s objectivity as outlined as follows.</p> <p>Paragraphs 22-26 of the Explanatory Memorandum (“EM”) set out the IESBA’s deliberations as to whether external experts used to support an audit or assurance engagement are required to be independent. In paragraph 25 of the EM, the IESBA concludes that “the evaluation of external experts in an audit or assurance engagement be performed through the lens of objectivity.”</p> <p>The fundamental principle of objectivity is explained in subsection 112 of the IESBA Code of Ethics as follows:</p> <p>“A professional accountant shall comply with the principle of objectivity, which requires an accountant to exercise professional or business judgement without being compromised by</p> <ul style="list-style-type: none"> <li>Bias</li> <li>Conflict of interest</li> <li>Undue influence of, or undue reliance on, individuals, organisations, technology or other factors</li> </ul>

A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgement regarding that activity."

Objectivity is therefore a state of mind of the individual. This contrasts with independence which also comprises independence in appearance. Section 400.5 (b) defines independence in appearance as

"the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit team member's, integrity, objectivity or professional skepticism has been compromised".

If the external expert is not aware of the existence of relationships and interests their objectivity cannot be impaired.

Proposed paragraphs R390.12(a) of the ED requires the following:

"The professional accountant shall not use the work of the external expert if: (a) The accountant is unable to obtain the information needed for the accountant's evaluation of the external expert's competence, capability and objectivity."

Consequently, if the external expert is unaware of specific relationships, such as those listed in paragraph R390.8 of the ED (for example, financial interests held by a spouse or spousal equivalent who has independent financial affairs), then the external expert could not be used. This seems unnecessary because interests for which the external expert is not aware do not impact the external expert's objectivity. This could lead to an inability to identify an appropriate external expert to perform the role which could then have an impact on the quality of that audit/assurance engagement.

We note that paragraph R390.8 of the ED requires the PA to "request the external expert to provide... information" about 13 different items that may impact an external expert's objectivity. It is unclear to what extent the IESBA intended the PA to obtain information (or the external expert to provide information) for each of the 13 different items. We recommend that the IESBA clarify their intent regarding the extent of information the PA should request from the external expert. Paragraph 9 of ISA 620 requires that "the evaluation of objectivity shall include inquiry regarding interests and relationships that create a threat to the expert's objectivity," and the related application paragraph A20 of ISA 620 states:

When evaluating the objectivity of an auditor's external expert, it may be relevant to:

(a) Inquire of the entity about any known interests or relationships that the entity has with the auditor's external expert that may affect that expert's objectivity.

(b) Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the auditor's expert include:

Financial interests.

		<p>Business and personal relationships.</p> <p>Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.</p> <p>In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor’s external expert about any interests or relationships with the entity of which that expert is aware.</p> <p>An audit is the highest level of independent professional assurance. Accordingly, we believe that the extent of procedures performed should not exceed that of an audit. We therefore recommend revising the lead-in to paragraph R390.8 of the ED to be consistent with the approach adopted in ISA 620 as follows:</p> <p>The professional accountant shall request inquire of the external expert to provide and, to the extent it is relevant to the engagement in assessing that expert’s objectivity, in relation to the entity of which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, request the external expert to provide information about:”</p> <p>We believe that adopting this approach would achieve the proportionate level of rigor in order to assess objectivity.</p> <p>It is also unclear what “benefits” refers to in paragraph R390.8(k) of the ED, which states, “Any benefits received by the external expert, their immediate family or the external expert’s employing organization from the entity.” We, therefore, recommend that “benefits” be clarified and described in the ED.</p>
<p><b>Independent National Standard Setters</b></p>		
	<p>Accounting Professional &amp; Ethical Standards Board (Australia)</p>	<p>APESB agrees that evaluating an external expert’s objectivity is an appropriate mechanism to ensure the public interest is upheld when external experts are used for audit or other assurance engagements. However, we do have some concerns about whether the provisions are more prescriptive than a principles-based approach and the proposed time frame for the external expert to be objective.</p> <p>Paragraph 10 of the Explanatory Memorandum for the Exposure Draft states that the provisions in the Exposure Draft have been developed using a principles-based approach. However, APESB is concerned that the list of specific information that must be used to evaluate the objectivity of an external expert (proposed paragraphs R390.8 and R5390.8) may create practical implementation challenges with the need to identify “any” such occurrence. Some occurrences might have a limited impact.</p> <p>APESB agrees that the Professional Accountant in Public Practice or the Sustainability Assurance Practitioner should be required to obtain information from the external expert about interests, relationships or circumstances that may impact their objectivity. However, it would be preferable for the list of information that is being requested to be included as application material rather than as a mandatory requirement in all circumstances.</p> <p>An Australian stakeholder has raised a concern about mandating objectivity for the external expert up to the date the audit/assurance</p>

		<p>report is signed (i.e., the end of the engagement period) due to the logistical and practical challenges this presents. Delays could arise in finalising the assurance report and financial report if the external expert is either unavailable or slow to respond to requests to reconfirm their objectivity status.</p> <p>The stakeholder was of the view that, in the same way, that an auditor does not have to maintain independence after they have completed an audit engagement, the expert’s objectivity could be assessed at the time they were engaged and up to the date of the external expert’s report. This ensures their objectivity is considered when the work is being performed and when the external expert provides their report, which is relied upon by the professional accountant or sustainability assurance practitioner.</p>
	<p>New-Zealand Auditing &amp; Assurance Standard Board</p>	<p>Yes. Overall, we agree that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigour to address the heightened public interest expectations concerning external experts in the use of financial audit and sustainability assurance engagements, subject to our comments on specific provisions are set out below.</p> <p>Evaluating all individuals within an external expert’s team</p> <p>Sections R390.9 and R5390.9 require that where the external expert uses a team to carry out the work, the PA/SAP shall request all members of the external expert’s team to provide the information set out in sections R390.8 and R5390.8 respectively.</p> <p>While we support the IESBA’s intent and responsiveness to heightened expectations regarding the use of external experts teams, there may be several practical issues with these proposals, including:</p> <p>Whether an external expert’s team extends to sub-contractors, quality reviewers or peer reviewers which may be used by an external expert, or consultations which are performed by the external expert with other external experts;</p> <p>If team members within an external expert’s team change during the external expert’s engagement, whether the intention is for an assurance practitioner to assess the objectivity of work performed by the external expert who has left the external expert’s organisation; and</p> <p>Whether the assurance practitioner would need to agree the external expert’s team members through the engagement letter, to ensure completeness of who has been involved in performing the external expert’s work.</p> <p>We heard concerns around requiring the PA/SAP to evaluate the objectivity of all individuals within an external expert’s team, compared to assessing the objectivity of the individuals who have the responsibility and accountability within the expert’s team for the provision of expert services. Given the increasingly complex nature of some matters, the external experts’ team may be large, and in some instances may be bigger than the assurance team itself. This may result in disproportionate costs compared to the resulting benefits and may be impractical for smaller assurance practitioners.</p> <p>The IESBA should reflect on the costs and benefits created through requiring the PA/SAP to assess the objectivity of all members within</p>

an expert's team. We recommend the objectivity requirements be limited to individuals who have responsibility and accountability within the expert's team for the provision of expert services, and the ability to significantly influence the expert's conclusions, rather than all individuals within the expert's team.

Broader matters which may be relevant to an external expert's objectivity for sustainability assurance services

Section R5390.8 requires that the SAP request the external expert to provide information around their objectivity in relation to the entity at which the external expert is performing the work. These requirements focus on financial interests, and any conflicts of interest an external expert may have (R5390.8(I)). The requirements should outline additional non-financial factors, drawing specifically from sustainability related matters, which may threaten the objectivity of the external expert, to help ensure appropriate and consistent application of 'any conflicts of interest'.

Depending on the scope of the work to be performed, the external expert's objectivity may be negatively impacted by aspects of activities, products or services by entities (for example; community disruption caused by an entity where the expert resides) or positively impacted (for example: the expert may be a member of a community receiving some sponsorship from the entity).

We recommend that the IESBA expand section R5390.8, to explicitly include 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. Requiring the SAP to request a wider breath of information about objectivity conflicts, will allow the SAP to perform a more effective evaluation of the external expert's objectivity.

Evaluating threats based on if it were to be performed by two or more parties

Sections 390.15 A1 and 5390.15 A1 note factors that are relevant in evaluating the level of threats to an external expert's CCO, and includes whether the external expert's work, if it were to be performed by two or more parties, is not likely to be materially different.

It would be difficult in practice for a PA/SAP to be able to consider whether the external expert's work, if it were to be performed by two or more parties, would not likely be materially different. In some situations, particularly for sustainability assurance engagements, this may require the PA/SAP to engage another external expert, which may be difficult where expertise is limited. The proposed requirements appear unintentionally encourage speculation by the PA/SAP around the conclusions another external expert would arrive at.

We recommend that the IESBA provide clarity around how a PA/SAP may be able to assess whether the external expert's work, if it were to be performed by two or more parties, would not be likely to be materially different. The IESBA should also reinforce that this should not lead to or rely upon the PA's/SAP's uninformed speculation and does not necessarily require engaging another external expert.

**Professional Accountancy Organizations (PAOs)**

	ACCA	<p>We agree that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigour to address the heightened public interest expectations concerning external experts, in the context of an audit or other assurance (including sustainability assurance) engagement. We agree that the scope of the evaluation of objectivity should not be expanded to the client's value chain as this is not practicable.</p> <p>We further agree that in theory the onus should be on the PA to evaluate the external expert's objectivity, with the key principle being that a PA should not use the work of an external expert if the expert is not objective. In the case of a SAP who is a non-PA under for example proposed Section 5390 for SAPs in the context of sustainability assurance engagements addressed in the proposed Part 5 of the Code, SAPs may need additional implementation guidance in order to understand the implications of the objectivity evaluation requirements.</p>
	CAANZ	<p>We agree that the CCO framework provides an appropriate level of rigor for audit, assurance and sustainability assurance engagements. We do note that factors relevant in evaluating the capabilities of the external expert do not include consideration of the expert's experience. Please refer to the comments in our response to Question 1 with respect to the importance of experience as a factor that should be included in AM at proposed paragraphs 390.6 A1-A6/5390.6 A1-A6.</p> <p>The proposed requirements in paragraphs R390.8-.11 and R5390.8-.11 appear to assess external experts through the lens of independence rather than from the conceptual basis of objectivity. The expert is not a member of the engagement, audit, or assurance team however the ED effectively creates a new limb of independence, which we are not sure is entirely appropriate.</p> <p>Furthermore, we have feedback regarding the practicalities of assessing the objectivity of every individual in the expert's team. Managing the process of administering (both requesting and providing) objectivity attestations could be onerous, depending on the size of an expert's team. These practical difficulties would likely be exacerbated for Small and Medium Practices (SMPs) and Small and Medium-Sized Entities (SMEs), so SMPs and SMEs could be disproportionately impacted. Coupled with the proposed prohibition, if the CCO test cannot be met, this may further restrict the availability of experts. With respect to objectivity of the expert's team, it may be possible to address threats to objectivity through changes to the team composition.</p> <p>In our view, the period over which the objectivity requirements are proposed to apply (the period covered by the audit or assurance report and the engagement period) is protracted. The longer the duration of the period for which objectivity applies the greater the potential negative impact on the availability of experts. Consistent with our response to question 2, we recommend that the period the expert must remain objective should begin when the PA/SAP engages the expert and end when the expert signs/provides the engagement output to the PA/SAP.</p> <p>Proposed paragraphs R390.8/R5390.8 require the expert to attest to numerous independence matters. The PA/SAP is accountable for compliance with the Code and subject to monitoring and enforcement by a regulator and/or professional association. The external expert may not be subject to similar requirements. It may not be possible for the PA/SAP to assess, with sufficient confidence, the reliability of</p>

		<p>the information provided by the external expert to comply with proposed paragraphs R390.8/R5390.8. We recommend AM or NAM be included to assist with how to gain comfort on the reliability of an expert’s attestation.</p> <p>Overall, we have heard concerns from members that non-professional accountant practitioners (NPAPs) may not be familiar with certain terminology and concepts. On this basis, we question whether the requirements will be consistently applied by assurance practitioners from different backgrounds. We encourage the IESBA to provide AM to ensure consistency in application of these requirements in proposed Part 5 of the Code.</p>
	<p>Chartered Accountants Ireland</p>	<p>The proposed requirements (390.8 to 390.11 and 5390.8 to 5390.11) regarding the CCO evaluation present some significant challenges:</p> <p>These requirements are inconsistent with and more onerous than ISA 620, Using the Work of an Auditor’s Expert (Para 9 under “The Competence, Capabilities and Objectivity of the Auditor’s Expert”), and proposed ISSA 5000, General Requirements for Sustainability Assurance Engagements (Para 49 and 50 under “Using the Work of a Practitioner’s External Expert”). The Code is proposing requirements typically associated with assessing independence in Public Interest Entity (PIE) audit engagements, whereas the Code will be applicable to all types of audit and assurance engagements (not just PIEs).</p> <p>External experts are unlikely to have the required information available, unless they are subject to requirements to have systems in place to gather and present this information, e.g. Statutory Auditors, and therefore this impacts the ability of a practitioner to engage the expert within the standards of the Code. We believe it would be reasonable to request information related to objectivity and/or independence as required by laws, regulations, and standards to which the external expert is subject. Requiring information beyond this may result in the non-provision of such information for many valid reasons, including relevant data protection and legal concerns of the expert. This will result in the inconsistent application of these requirements for determining objectivity, especially with sustainability assurance providers who do not have at least similar quality management systems as professional accountants.</p> <p>The information contained within these requirements would be better presented in application guidance as examples of information to evaluate within, along with further guidance on appropriate safeguards that can be taken where information is incomplete, unattainable or there is change in circumstances post engaging the external expert.</p> <p>In relation to sustainability and other assurance engagements, the requirements focus on possible financial relationships or interests between the entity and the expert, their employing organisation, the employing organisation’s management, the expert’s immediate family, but they do not consider non-financial interests including the external expert’s advocacy on sustainability-related matters, their membership of activist organisations that may present a conflict of interest to the entity, etc. We believe it is important to evaluate objectivity, but we also believe in some circumstances it may be possible to implement appropriate safeguards in situations where there is incomplete information or limitations on sourcing the information required. We fully support the requirement not to use the work of an expert where there is a significant threat to objectivity that cannot be appropriately safeguarded against.</p>

		<p>We believe SMEs and SMPs will be even more negatively impacted by the inability to engage an external expert as, given their limited internal resources, they are most likely to require one. The challenge associated with assessing objectivity per the Code may be too great to overcome, and the alternative of engaging an external expert from another jurisdiction will be a significant cost burden and present difficulties for these organisations, who may not have sufficient networks or knowledge of providers in markets other than their own.</p> <p>In the case of Group Assurance Engagements there will be additional complexity in assessing the objectivity of an external expert's employing organisation, for example ascertaining whether it provides services to another entity affiliated with the group in another jurisdiction, but the external expert is not party to that engagement or aware of it.</p>
	<p>Chamber of Financial Auditors of Romania</p>	<p>Evaluation of the external expert's competence for Audit Engagements: in our understanding, using an external expert should support both the report on sustainability quality and increasing public interest; in the Audit Engagements the financial auditor has the responsibility to use an external expert with appropriate skills and expertise. Such circumstances need to be clarified from the view of conforming the external expert work with quality requirements applied by the financial auditor / audit firm.</p> <p>The questions raised are:</p> <ul style="list-style-type: none"> <li>- Who should evaluate and ensure the external expert competence?</li> <li>- Should the external expert comply with the IESBA Revised Code of Ethics for professional accountants ??</li> <li>- Should the External Expert work be evaluated under ISQM?</li> </ul> <p>From our professional body's perspective, the competence to evaluate and ensure the external expert has the necessary skills should ideally rest with individuals or entities possessing relevant expertise and authority within the auditing profession. Primary responsibility for evaluating and ensuring the competence of external experts typically falls on financial auditors themselves. Financial auditors should have the necessary skills, knowledge, and experience to assess the qualifications, experience, and capabilities of external experts in relation to the specific needs of the audit engagement.</p>
	<p>Colombia's National Institute of Public Accountants</p>	<p>We agree with the additional provisions relating to the evaluation of an external expert's objectivity for assurance or audit engagements. It is key and is in line and consistent with the minimum requirements expected so that the auditor can issue an objective opinion on the underlying matter.</p>
	<p>CPA Australia</p>	<p>The application of the additional provisions relating to evaluating an external expert's objectivity (and the objectivity of the external expert's team) when their work is used in audit or other assurance engagements will be difficult to implement.</p> <p>Feedback from our members is that the proposed requirements will be too onerous for professional accountants as they are unlikely to be able to meet these requirements without impinging upon an expert's right to privacy. Proposed paragraphs R390.8 – 11 and R5390.8</p>

		<p>– 11 are especially challenging and assumes that a professional accountant or sustainability assurance practitioner has the power and ability to demand information from third parties. Moreover, the use of the word “any” at the start of many of the information points makes these paragraphs very challenging. As noted in our cover letter, it is arguable that, as written, these paragraphs are not scalable.</p> <p>While it is clear that the proposed standard envisages that an external expert would not be engaged where they did not provide the required detailed information to the professional accountant or sustainability assurance practitioner, difficulties arise when experts are not part of the accountancy profession and hence are unused to the stringent and strict requirements imposed on the profession. It is likely that many experts would not understand the requirements and would not have the very costly and complex systems in place that professional accountancy firms are required to maintain, to monitor and report the information required. Indeed, the problems created by these proposed standards are only exacerbated by regulators in some jurisdictions opposing the benefits of multidisciplinary firms, which arguably provide a ready-made solution to the issues that the proposed wording is trying to address.</p> <p>As noted earlier, the use of the words “heightened expectations” is not helpful in paragraphs 390.7 A1 and 5390.7 A1. While the IESBA argues that it is not planning to scale (or bifurcate) levels of objectivity, it seems that paragraphs 390.8 – 11 and 5390.8 – 11 are doing exactly that. That is, being objective as an external expert where the work being done is used in an audit and assurance engagement, means something different (i.e., has additional restrictions and more detailed information that needs to be provided) from being an expert working on a non-audit/non-assurance engagement.</p> <p>If the IESBA chooses to retain these paragraphs, extensive guidance materials will be required for those who are not professional accountants and are impacted by these paragraphs.</p>
	<p>CPA Canada PTC</p>	<p>The PTC agrees with the IESBA's proposals and believes that the additional provisions related to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts. The additional requirements in paragraphs R390.8 to R390.11 and R5390.8 to R5390.11, regarding specific interests, relationships, and circumstances in the evaluation of the external expert's objectivity for audit and assurance engagements, are very comprehensive and align with the independence requirements in Parts 4A and 4B of the Code.</p>
	<p>FACPCE          (Federación          Argentina de          Consejos          Profesionales de          Ciencias          Económicas)</p>	<p>We agree with the provisions in general, however, as we stated in other responses, we consider that the ED should align with the statements of ISA 620 regarding the evaluation of the objectivity of an external expert, allowing the application of safeguards.</p>

	IBRACON	<p>We agree with the IESBA's additional provisions relating to evaluating an external expert's objectivity. Even though the new and revised definition exclude the expert from the engagement team, all requirements (in special to comply with fundamental principles) in the Code for professional staff of the PA's Firm should also be considered for the expert and the conclusion reached out to be formalized into documentation as mentioned in the question above .</p>
	ICAEW	<p>ICAEW agrees that there is a heightened public interest in ensuring that all experts used in audit and/or assurance engagements are determined to be CCO and that additional provisions may be required.</p> <p>However, we consider that any provisions should be proportionate to the perceived risk. We are concerned that extensive list of disclosures required in proposed new Section R390.8 may prove difficult to comply with in practice. Potential Experts in the field of sustainability assurance say, may not wish to have their financial affairs and those of their family put into the public domain.</p> <p>We query whether the proposed period to be covered by the financial disclosures is proportionate. Proposed Section R390.8 refers to the "period covered by the audit or assurance report and the engagement period."</p> <p>We consider that the operative period should be the period covered by the report alone.</p> <p>Further, we consider that those seeking to act as experts will be required to invest in sophisticated quality management systems to ensure that they can comply fully with the extensive disclosures required. In turn, firms will be reliant on experts to provide accurate independence confirmations, as they will be limited in their ability to corroborate evidence received from the experts. As such, there needs to be clear expectations on firms as to the actions that they are required to take upon receipt of such disclosures. Further application material on how to weigh up the effect of a positive disclosure of matters identified in proposed new Section R390.8 would be helpful.</p> <p>Taken together, however, we are concerned that these provisions may have the unintended consequence of dissuading persons to act as experts; thereby limiting choice of available experts and contributing to a potential decline in the quality of assurance.</p> <p>In relation to the heightened public expectations regarding the objectivity of experts used in audit and other assurance engagements, it may be helpful to include application material which invites consideration of whether- in the context of subsequent audits/engagements- there ought to be rotation of experts.</p> <p>We also consider that it would be helpful to require any instructed expert to provide a signed declaration of CCO, in line with the approach taken in ISA 620.</p> <p>There may be merit in IESBA producing application material which highlights the potential danger of practitioners engaging in "opinion shopping" for favorable expert opinions.</p>
	ICAS	<p>The provisions in paragraphs R390.8 to 390.11 A2 focus on 'independence'-related matters, despite paragraph 390.7 A1 stating that the</p>

		<p>focus is on ‘objectivity’. Paragraphs R5390.8 to 5390.11 A2 for SAPs are also ‘independence’-focused.</p> <p>If the conceptual approach is intended to focus on independence, then this should be made clear in the Code.</p> <p>We agree conceptually with the CCO, and we support the insistence that the evaluation of external experts in an audit or assurance engagement be performed through the lens of objectivity; however, we feel that the proposed provisions stray into a focus on independence rather than objectivity in Sections 390 and 5390. Whereas paragraphs 390.7 A1 (and 5390.7 A1) say the focus is on objectivity, the provisions which follow, in paragraphs R390.8 to 390.11 A2 (and paragraphs R5390.8 to 5390.11 A2), effectively appear to require a PA/SAP to apply an independence test.</p> <p>In paragraph 86 of the Explanatory Memorandum, the IESBA states that it “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.” Can you expect external experts to provide all the information required in paragraphs R390.8 to 390.11 A2, and R5390.8 to 5390.11 A2, if they do not have a system of quality management in place? Might this have the consequence of reducing the pool of external experts who are willing to work with PAs and SAPs? Further, if the expert does not have such systems in place, how can the PA or SAP rely on what they have been told? We believe that there should be some guidance on this point.</p> <p>We have concerns that, at these early stages for sustainability, given that there is going to be increasing use of experts in other areas, this focus on ‘independence’ might reduce the marketplace of experts available to work with PAs and SAPs because they will be unable, or unwilling, to meet all of the ‘independence’ requirements. This could also impact smaller firms’ ability to access external experts particularly as larger firms may have a greater ability to utilise internal experts. If there is no legal requirement for them to do so, why would they sign up to providing all the information required in paragraphs R390.8 to 390.11 A2 (and R5390.8 to 5390.11 A2)? We believe there is instead a need to focus on professional judgement around objectivity rather than independence.</p> <p>We also believe that ongoing co-ordination and discussions between IESBA and IAASB are essential to ensure appropriate alignment between ISSA 5000 and the proposed revisions to the IESBA Code of Ethics for Professional Accountants (including International Independence Standards).</p>
	<p>Institute of Public Accountants Australia</p>	<p>Subject to the comments made in response to questions 1 and 2, IPA generally supports this proposal.</p>
	<p>Japanese Institute of Certified Public Accountants</p>	<p>An external expert might not have the systems of quality management set out in International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, so we believe it is necessary to acknowledge that the accuracy of information provided by an external expert that is needed for the evaluation of the external expert’s competence, capabilities or objectivity is by nature different from the accuracy of information</p>

		<p>provided by a PA to assist the evaluation that the PA is independent of a client.</p> <p>As noted in 2 above, paragraph R390.8 of the ED specifies what information shall be requested from an external expert, but we believe that the information required to evaluate the objectivity of an external expert would differ, depending on the interests, relationships or circumstances of the external expert. Therefore, we propose to revise “information about:” to “information needed for purposes of assisting the accountant’s evaluation of an external expert’s objectivity” at the end of paragraph R390.8. Further, we propose to move subparagraphs (a) to (m) of paragraph R390.8 to application material and to make them examples to evaluate an external expert’s objectivity.</p> <p>If the revisions above are to be made, we also suggest that paragraph R5390.8 be revised in the same way as paragraph R390.8.</p>
	<p>Korean Institute of Certified Public Accountants</p>	<p>The KICPA believes that the additional provisions relating to evaluating the objectivity of an external expert engaged for an assurance engagement are appropriate. The Exposure Draft proposes requirements for obtaining the same scope of information in all situations to evaluate the objectivity of an external expert. However, it doesn’t provide detailed practical guidelines required to evaluate the objectivity after obtaining the information.</p> <p>The KICPA proposes that the IESBA should consider allowing to apply different evaluation criteria (including the scope of information to request) and evaluation processes (including the process to verify the information) depending on the nature / importance of the assurance client, assurance engagement and the role of external expert, considering the proportionality and implementability of the Code. In addition, the KICPA hopes for additional guidelines to help evaluate the objectivity after obtaining the information, for example the guidelines to help evaluate the objectivity considering the nature and importance of interests and relationships between the external expert and the client.</p>
	<p>MIA</p>	<p>We are supportive of the intent of the additional provisions relating to evaluating an external expert’s objectivity to introduce an appropriate level of rigour to address the heightened public interest expectations concerning external experts.</p> <p>However, we are of the opinion that the request for information is unnecessarily prescriptive. It does not appear to provide latitude to the PA or SAP to make inquiries about the type of interests and relationships that, in their professional judgment, would be most applicable in the context of their engagement.</p> <p>These concerns are exacerbated given the evolving nature of sustainability assurance engagements and the extent to which experts will likely be used in those engagements in the future. It is not in the public interest if standards create inappropriate barriers to the necessary use of external experts for the performance of high-quality engagements.</p> <p>The requirement in paragraph R390.12(a) regarding circumstances when the PA or SAP shall not use the work of the external expert does not appear to appropriately allow for the use of professional judgment by the PA or SAP. Taken together, the combination of R390.8</p>

		<p>and R390.12 is, in our view, too restrictive and does not appear proportionate.</p> <p>Additionally, in practical application, requiring external experts to respond to the information requested for their immediate family and employing organisation may be challenging to obtain, particularly when there may be concerns about privacy, confidentiality or the inability or unwillingness to disclose all of the information listed.</p> <p>With regard to proposed paragraph R390.9, we believe that when the expert is using a team, there should be flexibility for the PA or SAP to evaluate the CCO of the expert as a collective “firm” and not for every individual on the team.</p> <p>The proposed requirements in proposed Section 390 seem to be procedures relevant to complying with audit and assurance standards and these performance requirements have been embedded in existing standards [e.g. ISA 620, International Standard on Assurance Engagements (ISAE) 3000, International Standard on Sustainability Assurance (ISSA) 5000]. If the IESBA maintains that separate requirements are necessary in the Code, we would urge that the IESBA ensure that these requirements can be implemented in a manner that supports quality while acknowledging the limitations that arise when external experts lack mechanisms to track and monitor relevant information.</p> <p>It is unclear whether the use of the term “the entity” in paragraph R390.8 includes or excludes related entities which may be a particularly relevant consideration in a group engagement. We suggest providing guidance on how to consider the scope of such entities for which the PA or SAP shall evaluate the external expert’s objectivity when using the work of the external expert.</p> <p>Apart from the above, it is understood that the onus is on the practitioner to define the relevant thresholds and assess the external expert. We would therefore suggest that more clarity be provided on what thresholds would be considered as:</p> <ul style="list-style-type: none"> <li>(a) "immaterial" in Section 5390.8.</li> <li>(b) "insignificant" in Section 5390.8(e)</li> <li>(c) "material" in Sections 5390.8(a) and 5390.11 A1</li> <li>(d) "controlling" in Section 5390.8(m)</li> <li>(e) "control" in Section 5390.11 A1</li> </ul> <p>Defining these terms more explicitly or providing additional guidance would enhance the understanding and consistency of their application, especially for non-accountants who will be adopting these standards.</p>
<p>NYSSCPA</p>		<p>We agree with the level of rigor of the provisions in Section (V)(A). However, we do not support the concept of “objectivity.” We recommend the continued evaluation of the level of independence of all experts associated with assurance engagements by using the “independence” standard of the Code as explained above in our response to question 2(a).</p>

	<p>Saudi Organization for Chartered and Professional Accountants</p>	<p>SOCPA agrees that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts. The proposed approach emphasizes evaluating specified interests, relationships, and circumstances relevant to the external expert's objectivity. This includes requesting information about the external expert's relationship with the client and potential conflicts of interest. (paragraph R390.8 and R5390.8)</p> <p>The exposure draft highlights the period to be covered for the evaluation, i.e., the period covered by the audit or assurance report and the engagement period. However, SOCPA has concerns. If the objectivity evaluation covers specified interests, relationships, and circumstances, why would there be a time limit set on it? Should not the expert be required to provide all information regarding the specified interests, relationships, and circumstances relevant to the external expert's objectivity, rather than limiting it to a specific time period? SOCPA believes there should not be a time limit set for the information to be provided by the expert.</p>
	<p>The South African Institute of Chartered Accountants</p>	<p>SAICA agrees with the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts.</p> <p>The introduction of additional provisions helps to clarify what is expected when evaluating an external expert. With the profession coming under much scrutiny in the past couple of years and with a heightened focus on protecting public interest, the additional provisions relating to evaluating an external expert's objectivity does introduce an appropriate level of rigor.</p> <p>SAICA is however concerned with the implementation of the additional provisions especially in circumstances where an external expert does not cooperate when asked to provide supporting information. The requirements appear to be overly burdensome and appear to be unreasonable in the context of an audit or other assurance engagements. SAICA recommends that application guidance be included to assist professional accountants in instances where the external expert does not cooperate with the additional provisions.</p>
<p><b>Public Sector Organizations</b></p>		
	<p>United States Government Accountability Office</p>	<p>We generally agree with proposed provisions in paragraphs R390.6 and R390.8 relating to evaluating an external expert's objectivity. However, we believe that proposed paragraph R390.8 should include an additional requirement beyond those listed in items (a) through (m), which lists information that the professional accountant will request from the external expert in relation to the entity at which the expert is performing the work that could affect the expert's objectivity. We suggest adding a requirement that the professional accountant request that the external expert provide information regarding any additional relationships or circumstances in relation to the entity at which the expert is performing the work that may be relevant in considering the expert's objectivity.</p> <p>We also believe that the proposed standard should include application material guiding the auditor to consider whether to obtain a written representation from the auditor's external expert about any interests or relationships with the entity of which that expert is aware, consistent with ISA 620, paragraph A20, and AU-C 620, paragraph A21.</p>

		<p>We believe that the proposed paragraph 390.6 A5 should be revised. Proposed paragraph 390.6 A5 states that a self-review threat to the external expert’s objectivity might be created if the expert “produced data or other information for the entity which is then used by the external expert in performing the work or is the subject of that work.” However, we believe that such a scenario would create a significant self-review threat to the external expert’s independence or objectivity, which would require the application of safeguards to eliminate or reduce the threats to an acceptable level. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level.</p> <p>We also believe that the proposed standard should contain a requirement that in cases where professional accountants or sustainability assurance providers determine that threats to an external expert’s objectivity require the application of safeguards, they should document the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.</p>
<b>Regulators and Oversight Authorities, Including MG members</b>		
	ACRA	<p>As the use of multi-disciplinary teams for financial audits and sustainability assurance continues to rise, the reliance of auditors on external experts will also expand.</p> <p>Our SAPs have raised the following potential practical issues when applying the proposed Section 5390:</p> <p>the detailed requirement to provide personal information (e.g. investments, loans) of their immediate family members may dissuade certain experts from participating in the sustainability assurance engagement; and</p> <p>the degree of evaluation expected of the SAP when considering “any previous public statements by the external expert or their employing organisation which advocated for the entity”.</p> <p>Given that external experts are not members of the financial audit team or sustainability assurance team, the proposed requirements (which are derived from the independence attributes of Parts 4A and 4B of the Code) may be unduly burdensome.</p> <p>As these external experts may lack financial expertise, they may not fully comprehend the rationale behind the proposed requirements. We propose to adopt a more principles-based approach to instil a culture of ethical conduct across the broader industry instead.</p>
	CEAOB	<p>Paragraph R390.8 requires the PA to “request the external expert to provide [...] information about [...]”. We believe such requests should be in the form of written confirmation, also including the requirements of paragraphs R.390.9 and R.390.11.</p> <p>The requirements in paragraphs R390.8 and R5390.8 refer to the external expert’s “employing organisation” - It is unclear if this is the expert’s direct employer or intended to be applicable to a group setting too. Where an expert’s employer is part of a group, then some</p>

		<p>reference would be required to the independence of the group as a whole.</p> <p>We propose to expand the examples in 390.11 A1 to clearly indicate that scenarios where the external expert is engaged by the client and also used by the PA in performing its services are considered a relationship subject to the evaluation of the external expert's CCO.</p> <p>Paragraph 390.11.A2 mentions that "Information [...] might be obtained from inquiry of the client, if the circumstances of the engagement permit disclosure of the use of the external expert to the client". We believe the Code should be clear that this can be done in addition to the request that is required to be made directly to the external expert in accordance with paragraph R390.11.</p>
	<p>IAASA</p>	<p>Paragraph R390.8 requires the PA to "request the external expert to provide [...] information about [...]". We believe such requests should be in written form and also include the requirements of paragraphs R.390.9 and R.390.11.</p> <p>The requirements in paragraphs R390.8 and R5390.8 refer to the external expert's "employing organisation". It is unclear if this is the expert's direct employer or intended to be applicable to a group setting too. Where an expert's employer is part of a group, some reference would be required to the independence of the group as a whole.</p> <p>We propose to expand the examples in paragraph 390.11 A1 to clearly indicate that scenarios where the external expert is engaged by the client and also used by the PA in performing its services are considered a relationship subject to the evaluation of the external expert's CCO.</p> <p>Paragraph 390.11.A2 mentions that "Information [...] might be obtained from inquiry of the client, if the circumstances of the engagement permit disclosure of the use of the external expert to the client". The Code should be clear that this is in addition to the request required to be made directly to the external expert in accordance with paragraph R390.11.</p> <p>Paragraph R390.12 states that "The professional accountant shall not use the work of the external expert if: [...] (b) The accountant determines that the external expert is not competent, capable or objective". However, the Code gives limited guidance on how the PA makes such a determination, especially for an audit or other assurance engagement. Additionally, if any of the relationship disclosed on paragraph R390.8 arise, the Code is silent on the conclusions the PA is expected to draw concerning the external expert's objectivity.</p>
	<p>Independent Regulatory Board for Auditors</p>	<p>We agree that further actions are necessary to evaluate the objectivity of an external expert in an audit or other assurance engagement. Stakeholders hold heightened expectations regarding the objectivity of such experts, given their integral role in these engagements.</p> <p>However, we anticipate challenges with the practical implementation of the proposed additional provisions, particularly in terms of soliciting information from external experts. There may be reluctance on the part of the external experts to disclose personal information, or they may respond inaccurately, either intentionally or inadvertently. Therefore, it will be imperative for PAs/SAPs when engaging external experts to communicate clearly and carefully about the information required and its significance.</p> <p>Regarding paragraphs R390.8 and R5390.8, there are concerns that it may be overly burdensome to require the external expert to provide</p>

		<p>information for the entire engagement period. The engagement period could potentially exceed the duration for which the external expert is engaged, and/or the period covered by the audit or assurance report. Given that an external expert is not part of the audit or assurance team, we suggest the following change to paragraph R390.8 before the list begins: “The professional accountant shall request the external expert to provide, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period for which the external expert is engaged, information about:”.</p> <p>We recommend one additional consideration beyond those already proposed on incorporating guidance on what steps the PA or SAP should take if an external expert responds affirmatively about any of the scenarios listed in paragraphs R390.8 and R5390.8. We recommend that the IESBA Code explicitly clarifies that if any such scenario applies, this should not automatically disqualify the external expert on the grounds of a lack of objectivity. The Code should emphasise that in these cases the PA or SAP is required to exercise their professional judgement in assessing the external expert’s objectivity.</p>
	<p>International Organization of Securities Commission</p>	<p>We generally agree that the additional provisions relating to evaluating an external expert’s objectivity are necessary to introduce an additional level of rigor to address the heightened public interest expectations concerning external experts in the context of an audit or other assurance (including sustainability assurance) engagement. We also support the IESBA’s approach to scalability, that the fundamental principle of objectivity cannot differ for different clients (Public Interest Entities (PIEs) or non-PIEs), given that it concerns ethical behavior. However, we believe that some of these additional provisions should be strengthened as follows:</p> <p>The proposed requirements in paragraphs R390.8 and R5390.8 require the PA or SAP to request the external expert to provide, in relation to the entity at which the expert is performing the work and with respect to the period covered by the audit or sustainability assurance report and the engagement period, information about specific interests, relationships and circumstances between the external expert and the entity. We agree with the IESBA’s approach to draw from the independence attributes in Parts 4A and 4B of the Code, and we support the requirements in the proposed text. However, we believe that the IESBA should also require the PA or SAP to request the external expert to provide information about gifts and hospitality (Section 420) and actual or threatened litigation (Section 430) in proposed paragraphs R390.8 and R5390.8.</p> <p>The proposed requirements in paragraphs R390.11 and R5390.11 describe circumstances where the client is not the entity at which the external expert is performing the work. These requirements, as proposed, are less stringent than the proposed requirements in paragraphs R390.8 and R5390.8. In order to strengthen the requirements in paragraphs R390.11 and R5390.11, we believe application material paragraphs 390.11 A1 and 5390.11 A1, should be elevated to the requirements.</p>
	<p>United Kingdom Financial Reporting Council</p>	<p>The FRC agrees that the provisions for evaluating an external expert’s objectivity go much of the way to providing the necessary level of rigour to meet public interest expectations. We agree that it would not be practical to require external experts to establish a system of quality management to support their own system of quality management to support objectivity considerations.</p>

		<p>However the ED could do more to remind practitioners of the need to exercise professional scepticism. The objectivity assessment includes the consideration of information requested by the PA and SAP, which the practitioner is then permitted to accept in good faith. While the ED suggests useful content for these representations, it would be helpful to include application material in 390.11 and 5390.11 to remind practioners of the overarching principle set out in the Conceptual Framework in R120.5(a). It would be particularly valuable to remind SAPs from non-accountancy backgrounds of this principle.</p>
<b>Disagree</b>		
<b>Academia and Research Institutes</b>		
	<p><a href="#">Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand (AFAANZ)</a></p>	<p>We do not agree that the additional provisions relating to evaluating an external expert’s objectivity when their work contributes to an audit or other assurance engagement are appropriate. We encourage the IESBA to be clear on the objectives for the additional rigour and to ensure that the provisions support these objectives. At present, it is unclear whether the circumstances outlined in paragraph R390.8 are meant to elevate the level of objectivity expected of an external expert before their work can be used in an audit or other assurance engagement, or elevate the degree of accountability and confidence that the auditor or assurance practitioner needs to have in their judgment by requiring more evidence to be collected. To the extent that the goal of paragraph R390.8 is to elevate the necessary level of objectivity beyond that expected for work other than that contributing audit and assurance engagements, then we encourage the IESBA to be clear that these speak to a higher level of objectivity. To the extent that the IESBA is not codifying different levels of objectivity (i.e., codifying the same minimum bar for all work the external expert contributes towards), then we similarly encourage the IESBA to be clear on this and rather than have a separate section on additional circumstances, incorporate such a discussion into paragraph 390.6A4 and require the auditor to reach a greater level of confidence in the external experts work when it contributes to audit and other assurance engagements.</p> <p>Objectivity is a critical characteristic of a professional accountant’s work and positively contributes to societal value (e.g., Liang and Zhang 2019). The concept of objectivity has been the subject of discussion in the accounting academic literature for well over 50 years (e.g., Chambers 1964; Burke 1964; Wagner 1965). Following philosophical perspectives (e.g., Moser 1993), accounting researchers argue that there are levels or degrees of objectivity (e.g., Wojdak 1970; McKernan 2007), and research highlights that accountants vary in the level of objectivity they exhibit (e.g., Ponemon 1995; Bamber and Iyer 2007, Svanberg et al. 2017; Suh et al. 2021). The IESBA speaks of objectivity as exercising professional or business judgment without being compromised by bias, conflict of interest, or undue influence of or undue reliance on individuals, organisations, technology or other factors (paragraph R112.1). Perfect objectivity is unattainable. The question to which the professional accountant or sustainability assurance practitioner must apply their judgment towards is the level at which the expert’s objectivity is sufficient to permit the contribution of their work. Given that objectivity exists on a continuum, and the heightened public interest expectations when external experts contribute to audit and other assurance engagements, we have no objection to the IESBA elevating the minimum level of objectivity before which the external expert’s work can contribute to these</p>

		<p>engagements. However, it is unclear whether this is the intention.</p> <p>It is unclear whether the additional provisions in paragraph R390.8, which essentially speak to the collection of evidence on particular interests, relationships and circumstances that may compromise objectivity, are meant to elevate the minimum level of objectivity for external experts contributing to audit and other assurance work (e.g., a direct financial interest would be acceptable for a non-audit engagement but unacceptable for an audit or other assurance engagement) or that the same level of objectivity is being referred to, but that the auditor / assurance practitioner is expected to have greater confidence in the evaluation by collecting more information / evidence (e.g., direct financial interests are never acceptable but an auditor should build greater confidence in their judgment by collecting specific evidence). Both aims would be consistent with the heightened public interest expectations concerning external experts contributing to audit and other assurance engagements. However, the current lack of clarity will add unnecessary confusion for professional accountants, external experts, and users of the professional accountant’s work. The complexities inherent in evaluations of independence (e.g., Gramling et al. 2010; Tepalagul and Lin 2015; Church et al. 2015) are likely also reflected in evaluations of objectivity (c.f., Svanberg et al. 2019). Furthermore, an additional layer of complexity is added when objectivity is considered across a range of subject matter expertise and different relationships with the client (Boritz et al. 2020). We believe it to be in the public interest to clarify expectations in response to the identified heightened public interest focus in order to minimise any misunderstanding.</p> <p>To the extent that the objective of the IESBA is to elevate the minimum level of objectivity before an external expert’s work can contribute to audit and other assurance engagements, then we encourage the IESBA to be clear that this is the case and prepare more principles-based provisions highlighting the expected differences in objectivity (rather than relying on examples to make this point). To the extent that the objective is to increase the confidence and accountability of the auditor and assurance practitioner for their judgment that the consistent minimum level of objectivity has been achieved, then we encourage the IESBA to clarify this and to clearly state the objective of the additional work expected of the auditor/assurance practitioner.</p>
<b>Accounting Firms and Sole Practitioners</b>		
	<p>KPMG</p>	<p>In paragraph 25 of the EM, the IESBA states that they propose the evaluation of the external expert in an audit or assurance engagement be performed through the lens of objectivity because it “will appropriately address the public interest expectations concerning external experts, while balancing considerations relating to scalability, proportionality and implementability under the Public Interest Framework.” Paragraphs 75 and 76 go on to say the IESBA has chosen to take an objectivity approach as opposed to an independence approach because 1) the Code does not directly apply to external experts; 2) external experts will not have a system of quality management as they are not subject to the direction, supervision and review of the firm; 3) it is the responsibility of the PA or SAP to make a determination of the external expert’s objectivity; and 4) it is not in the public interest for the Code to constrain the supply of external experts. Further, in its summary of feedback from the roundtables, the Task Force acknowledges in paragraph 60 that the Code cannot impose independence requirements directly on the external expert. We agree with the positions taken by the IESBA in these paragraphs of the EM as the</p>

external expert, as defined, does not directly influence the audit or other assurance engagement and thus, independence is not necessary.

We agree that in the current landscape there will be an increasing need for the use of external experts, particularly in the case of sustainability assurance. However, we do not agree that the IESBA's proposals are a proportional response, given a lack of data to suggest the current framework in the performance standards or ethics requirements for PAs (and SAPs) is not fit for purpose. As stated above, while the Task Force acknowledged the Code cannot impose independence requirements directly on the external expert, the proposals appear to have that effect.

The language used by the task force indicates that the concept of "independence" is being conflated with the concept of "objectivity." For example, in the IESBA global webinar for Using the Work of an External Expert, there was a statement made that included "the fundamental principle of objectivity which includes consideration of independence." Section 112 of the Code does not include independence in the explanation of the fundamental principle of objectivity. When an individual is independent, this facilitates their objectivity (thus the statement in Section 120 of the Code that independence is linked to objectivity), but the opposite is not true. An individual that is objective is not necessarily independent, nor would they necessarily need to be. By bringing in the list of interests, relationships, and circumstances in proposed paragraph R390.8/R5390.8, the proposals bring in the level of considerations that are used to facilitate audit/assurance team and firm independence from the audit client. The confusion that this conflation will bring may be further exacerbated by the need for translation in non-English speaking jurisdictions.

Additional points regarding these provisions:

Expanding the provisions in proposed paragraph R390.8/R5390.8 beyond the external expert, to pull in interests and relationships of their team, and in some instances their organization, its controlling owners and their immediate family members, is not only impractical, but it broadens the scope to where the connection between those interests, relationships and circumstances to the individual external expert's objectivity is increasingly remote. At the same time, the added work for the external expert and extra costs passed on to the client and its stakeholders are not in the public interest. The level of effort and, more importantly, reliability of the information to be provided is a key consideration when making such proposals, as the external expert would need to have some sort of system or internal processes and controls in place to be able to gather the requested information and ensure the expected level of accuracy, as well as monitor future changes if the external expert were to be used by the PA/SAP over a period of time. We do not believe it is necessary or, given the amount of work that would be involved, practicable for external experts to achieve the proposed outcome. The external expert may also decide to decline to be engaged due to the difficulties involved.

The proposals do not specify what action the PA/SAP is expected to take with the information provided by the external expert. As we noted in the previous paragraph, the completeness and accuracy of the information is not likely supported by processes or systems that capture or verify such information. It would not be possible for the PA/SAP to validate whether the information the external expert provides is correct, given the PA/SAP does not have access to the underlying records. Regardless of the completeness and accuracy of the specific information the external expert provides, it appears the PA/SAP will need to accept it as presented, which is not aligned with other

situations where independence is required. For PA/SAP firms/networks where this information is collected and monitored, that system is effective because of the controls, training, required confirmations, etc. that are part of an overall system of quality management.

The provisions in proposed paragraph R390.10/R5390.10 state the need for the external expert to communicate any changes in facts or circumstances during the period. Without a system of continuous monitoring in place, it seems unlikely that all changes to facts or circumstances related to the list of independence attributes for the external expert, their team, employing organization, its controlling owners and immediate family would be known by the external expert.

An additional challenge is the potential for reduced incentive on the part of the expert to maintain compliance with the imposed independence attributes given it is the PA/SAP who would bear the repercussions of a resulting breach of the Code and not the external experts themselves. Coupled with the previous comment on a likely lack of processes and

controls to track and monitor the extensive interests and relationships required by the proposed independence attributes, this point supports the need to keep these requirements solely focused on objectivity. Instead of incorporating independence requirements, the proposals should allow the PA/SAP to assess whether the external expert still has the necessary objectivity combined with what additional audit or assurance procedures, if any, are needed.

Certain information requested may be proprietary and confidential. In this case, the external expert may not be willing or able to provide or may otherwise decline to disclose the data for evaluation by the PA or SAP, even with due notice. As per the current proposal in paragraph R390.12/R5390.12, the PA or SAP will not be able to use the external expert's work regardless of the reason for the lack of disclosure, materiality of the subject matter, or consideration of whether the external expert is objective enough for the PA/SAP's purpose.

Several of the points of information the PA or SAP is to gather from the external expert per proposed paragraph R390.8/R5390.8 go beyond independence requirements in an audit. For example,

R390.8/R5390.8 (i) goes beyond the Part 4A independence requirements.

R390.8/R5390.8 (j) also seems to go beyond that of audit engagements. If the external expert has been paid by the client for a service, what does the PA do to further assess this fact?

R390.8/R5390.8 (k) is unclear as "benefit" has not been defined.

As stated previously, we do not believe that independence attributes should be applied to the external expert. Thus, rather than requesting the external expert to provide information from the list in proposed paragraph R390.8/R5390.8, we support an approach in which the PA or SAP requests the external expert to communicate whether they are objective and provide support for their conclusion. Factors that may impact their objectivity, such as any bias, conflict of interest or the influence of others, as well as financial interests or business relationships they may have with the entity or such interests or relationships that they know or have reason to believe that their immediate family may have with the entity, would be provided to the external expert. In turn, the external expert would consider the factors and, in

the event the external expert identifies a matter of significant relevance to their evaluation, they would communicate to the PA/SAP how they determined they are still objective and the rationale for that conclusion, including any safeguards they may have applied. The PA/SAP would review the response and include consideration of any significant matters in their own evaluation of the external expert's objectivity, as the PA/SAP bears ultimate responsibility to determine whether the external expert is sufficiently objective for the PA's/SAP's purposes.

Given that objectivity is the stated intent, as described above, we question the purpose of asking the external expert to provide the extensive information in paragraph R390.8/R5390.8. The provisions should mirror an objectivity requirement and threshold and should not establish what is more aligned to an independence exercise.

If the Board chooses to retain the proposed additional provisions for an audit or other assurance engagement, including the list of interests, relationships and circumstances in proposed paragraph R390.8/R5390.8, it is not clear in the proposed requirements how the PA or SAP evaluates and concludes whether a response by the external expert indicating they have one or more of the listed interests or relationships would impact their objectivity.

To remain consistent with the fundamental principles of the Code and focus on objectivity, the standard would be more effective using alternative factors to evaluate objectivity, rather than the independence-related list of required disclosures proposed in paragraph R390.8/R5390.8. These factors should remain focused on assisting the PA/SAP with evaluating whether the external expert is free from conflicts of interest, not biased in carrying out their work, and not unduly influenced in order to conclude they are objective for the purposes of the PA's/SAP's work.

Ultimately, we believe that the proposed approach could, directionally and operationally, result in it making it difficult for PAs and SAPs to be able to engage an external expert while meeting all of these requirements, which is not in the public interest.

Period the external expert is to be objective

Paragraphs 390.8-390.11/5390.8-5390.11 propose that the external expert provide information to allow the PA or SAP to evaluate objectivity for the period covered by the audit or assurance report and the engagement period. This period will likely be longer than the actual period the external expert is performing their work.

We believe the period of the external expert's objectivity should be the duration of their services and conclude once their work has been reviewed and accepted. At that time, we believe that practically any threats are eliminated and the need for objectivity no longer exists. A revised provision could include consideration of the conceptual framework for periods covered by the audit or assurance report and before the external expert begins work. Without limiting this period of required objectivity to the actual time the external expert is performing their work for the engagement, the provisions are not proportional to the use of an external expert's work in an audit or assurance engagement and raise additional concerns about the operability of these proposals. Adopting the proposed time period (see EM paragraph 81) could be especially problematic for a multi-year presentation of sustainability information or where a base year (for greenhouse gas, for example)

	<p>is presented in addition to the current period.</p> <p>Where the client and the entity are different</p> <p>The requirement in paragraph R390.11/R5390.11 requires objectivity at the same level for the client when it is not the entity at which the external expert is performing their work. This level of requirement does not seem proportionate to the overall risks to audit or sustainability assurance quality from the PA's or SAP's use of the external expert's work in obtaining audit evidence. In fact, in some cases, the client may not even be known to the external expert. Even in the case of a group audit for instance, a component auditor firm outside the network of the group auditor only has to be independent from the</p> <p>group entity in relation to loans and financial interests.</p>
<p>Mazars</p>	<p>We do not agree with the additional provisions relating to the evaluation of the external expert's objectivity in relation to audit and assurance engagements. While we agree that there is heightened interest in audit and assurance engagements regarding the objectivity of the external expert and that additional information may be required in order for the PA or SAP to assess objectivity, for example to address risks related to situations where experts have interests, relationships or other conflicts of interest with the entity, we believe that the current proposals are unworkable in practice.</p> <p>We note that the IESBA considered whether to take an independence or objectivity approach to external experts for audit or assurance engagements, and we agree with the conclusion to adopt a focus on objectivity. There are good reasons not to adopt an independence approach, as noted in the explanatory memorandum:</p> <p>External experts will not necessarily have systems of quality management to oversee compliance with independence requirements</p> <p>It would not be in the public interest to restrict the supply of external experts by imposing undue cost and burden by requiring such systems of quality management</p> <p>It is the responsibility of the PA under audit or assurance standards to be satisfied that the expert is objective, and</p> <p>The code does not directly apply to external experts.</p> <p>However, it is not realistically achievable in practice for external experts to provide much of the information requested by the PA or SAP in accordance with R390.8/R5390.8 without establishing precisely those systems required to enable them to monitor compliance with independence requirements. In the absence of this information, it is not possible for the PA or SAP to comply with the requirements in R390.8/R5390.8 and effectively assess the objectivity of the expert.</p> <p>For example, it is unlikely (perhaps even impossible) for an expert to provide the following information, for all members of the external expert's team (R390.9/R5390.9) and their immediate families (R390.8/R5390.8), along with the ability to provide any updates that might</p>

		<p>arise during the period (R390.10/R5390.10)) without establishing some form of monitoring systems:</p> <p>financial interests;</p> <p>loans, or guarantees of loans;</p> <p>close business relationships;</p> <p>positions as a director or officer of the entity, or an employee in a position to exert significant influence</p> <p>benefits received</p> <p>conflicts of interest</p> <p>the nature and extent of any interests and relationships between the controlling owners of the external expert’s employing organization and the entity.</p> <p>The IESBA is naïve in its statement that the guidance in R390.5 and 390.5A1 to discuss these requirements with the expert will “mitigate the potential practical challenge of the expert declining to disclose the information...after the PA has engaged the expert”. Furthermore, the IESBA is somewhat disingenuous in making the statement in paragraph 86 of the explanatory memorandum that “...the IESBA does not expect the external expert to set up an internal monitoring process on the financial interests of all these parties”, while going on to say that “the expert is afforded the opportunity to take the appropriate steps, in good faith, to gather the necessary information”. It is hard to see how reliable information, sufficient for the needs of the auditor or assurance practitioner, can be gathered without the implementation of systems.</p> <p>Furthermore, there is plenty anecdotal and real evidence of regulation and seemingly onerous requirements impacting the willingness of entities to engage in undertaking audit and assurance activities. We believe that placing requirements on experts to provide the information required in R390.8/R5390.8 may impact their willingness to provide expert services for audit and assurance engagements, with a potentially significant impact on the availability of experts, competition, choice and most importantly the quality of audit and assurance engagements.</p> <p>We strongly urge the IESBA to reconsider these requirements and whether the full list of information listed in R390.8/R5390.8 is really necessary and, if so, how the requirement may be amended to reflect that the expert’s information may not be based on systems and processes and whether the PA or SAP is able to take the information provided at face value. (See also our comment in question 2 regarding the work effort required to evaluate CCO of experts).</p>
	PwC	<p>Request for information is unnecessarily prescriptive</p> <p>We believe the requirements to be performed by the PA or SAP in order to evaluate the external expert's objectivity set out in proposed</p>

paragraph R390.8 are unnecessarily prescriptive. The requirement to request information regarding interests and relationships that the external expert might have with the entity at which the expert would perform the work is presented as a complete list that must be requested, rather than matters the PA or SAP may consider making inquiries about of the expert. It does not provide latitude to the PA or SAP to make inquiries about the types of interests and relationships that, in their professional judgement, would be most applicable in the context of their engagement. Furthermore, the IESBA has indicated it is not proposing the application of an independence standard by virtue of this requirement. We agree with this intent, as experts are not assurance providers and are not signing assurance opinions, and therefore, should not be subject to independence rules as the PA or SAP would be. However, in our view, the use of independence concepts in a non-independence (objectivity) context might create confusion as to the intended application of such requirements, particularly for PAs and SAPs who are familiar with auditor independence rules and might have questions as to whether the standard should be applied similarly (i.e., the existence of a relationship or interest in one of the factors of R390.8 means that the expert is not objective under R390.12).

Our concerns are exacerbated given the evolving nature of sustainability assurance engagements (see, for example, the IESBA's Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting) and the extent to which experts will likely be used in those engagements in the future. More than ever, experts play a crucial role in performing services and supporting engagement quality in areas where their expertise is necessary to support PAs and SAPs. Therefore, it is not in the public interest if standards create inappropriate barriers to the necessary use of external experts for the performance of high-quality engagements.

As discussed in answers to previous questions above, we believe the requirement in paragraph R390.12(a) regarding circumstances when the PA or SAP shall not use the work of the external expert does not appear to appropriately allow for the use of professional judgement by the PA or SAP if some of the information described is not obtained, and in evaluating the information that has been obtained regarding the external expert's objectivity, to determine whether their work can be used. Taken together, the combination of R390.8 and R390.12 are, in our view, too restrictive and do not appear proportionate.

Concerns with obtaining and relying on the information requested

In addition to the prescriptive nature of the requested information, we believe there are potential concerns with obtaining and relying on the information requested:

Reliability of information provided by external experts

The IESBA notes in paragraph 23 of the EM that the feedback from participants at its March-April 2023 global sustainability roundtables included, "unlike firms or assurance practitioners who are subject to the Code, external experts are not in the audit or assurance business. Accordingly, the Code is not enforceable on external experts and external experts would not be expected to have designed and implemented, and be operating, extensive systems of quality management to monitor and oversee compliance with independence

requirements across their organizations.” We believe this same observation remains true with respect to the requirements in proposed paragraphs R390.8-11. In our view, in the absence of systems designed to capture information of the nature described in proposed paragraph R390.8, external experts might not be in a position to provide the level of information described. Any information that is provided, in the absence of a system of quality management, introduces questions of accuracy and reliability and might call into question whether the external expert had a reasonable basis for the assertion made to the PA or SAP and for the PA’s or SAP’s subsequent reliance on those assertions. We do not think the “good faith” expectation described in the last sentence of paragraph 86 of the EM is realistic. There is currently no clear obligation placed on the external expert to provide information that is complete and accurate, which implies it may be the PA’s or SAP’s responsibility to determine that the information provided is complete and accurate and, therefore, reliable, which is not a realistic or operable expectation to set upon the PA or SAP.

#### Concerns in obtaining the required information

In addition to the concerns above, there could be concerns of privacy, confidentiality, or the inability or unwillingness of external experts to disclose all of the information listed. These concerns are likely more magnified in the case of the external expert’s provision of the requested information as it applies to their immediate family members. It is also not clear whether the use of the term “the entity” includes or excludes related entities which may be a particularly relevant consideration in a group engagement.

#### (c) Relevance of the external expert’s organization

The definition of expert states that “where appropriate, the term also refers to the individual’s organization.” This aspect of the definition appears to conflict with the statement in paragraph 88 of the EM that states “the proposed new definition of

an external expert pertains to an individual only” and therefore, we believe there is circularity in several requirements when those requirements refer to “the expert...or the expert’s employing organization” (for example, see proposed paragraphs R390.8 and R390.11). The significance of the phrase “where appropriate” is unclear in this context.

#### A principles-based approach: existing auditing and assurance standards addressing evaluation of external experts

In our view, the requirements to evaluate the objectivity of external experts are part of the PA’s or SAP’s process to determine whether to use the work of that expert as evidence to support the PA’s or SAP’s opinion or conclusion and are an important driver of audit and assurance quality. The proposed requirements in proposed Section 390 seem to be, at their core, procedures relevant to complying with audit and assurance standards. We note these performance requirements are already embedded in existing ISA 620 (paragraph 9) and ISAE 3000 (paragraph 52.a), as well as proposed ISSA 5000. In our view, all three standards already sufficiently address these concepts by requiring the auditor/practitioner to evaluate the objectivity of the expert by inquiring of the expert’s interests and relationships. We are therefore concerned that the ED goes beyond these existing standards and requirements by being more prescriptive as to the information about specific types of relationships and interests that must be requested from the expert (which is then used by the PA or SAP to evaluate

		<p>the external expert's objectivity).</p> <p>Should the IESBA continue to believe that separate requirements are warranted in the Code, we believe significant changes are needed to the proposal in order to make the requirements capable of being implemented in a manner that supports quality and recognizes the limitations that will exist when external experts do not have mechanisms to track and monitor this information (as discussed below). Aligning directly with the principles in ISA 620, ISAE 3000, and proposed ISSA 5000 described above would help to avoid potential complications. As described in our cover letter, as the IAASB is responsible for establishing performance requirements, it is essential that a fulsome deliberation of both boards, and input from their collective stakeholders, is necessary to avoid a disconnect in the standards.</p> <p>Other comments</p> <p>Applicability of requirements to external expert's team</p> <p>With regard to proposed paragraph R390.9, we believe that when the expert is using a team, the PA or SAP should only be responsible for evaluating the CCO of the expert as a collective "firm" and not each and every individual on the team. When an individual is directly engaged, the evaluation would be for that individual. If the IESBA believes each individual member of an expert's team needs to be evaluated for CCO, this should be clarified, but we note this may be impracticable.</p>
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**Professional Accountancy Organizations (PAOs)**

	<p>Accountancy Europe</p>	<p>No, we do not agree that the provisions are responsive to the public interest.</p> <p>The list in paragraphs R390.8 and R5390.8 has been derived from the extant Code's sections on independence and essentially requires the PA/SAP to evaluate the external expert's objectivity through the lens of independence instead of focusing on matters related to objectivity like bias, conflicts of interest and undue influence.</p> <p>Proposed requirements also contradict with ISA 620 which does not have a strict prohibition and focuses on assessing the work of the expert as well. Therefore, IESBA's proposals will limit the use of experts by auditors in practice and implicitly implies that currently, auditors applying ISA 620 are not in compliance with the Code.</p> <p>We believe that requiring PA/SAPs to request the external expert to provide information about specific interests, relationships and circumstances including for their immediate family, team members and employing organization with respect to the period covered by the audit/assurance report and the engagement period is too onerous. This will most likely discourage experts to work with PA/SAPs and thus will create a risk for quality in audit and assurance services. This risk is heightened by the fact that there is already scarcity of expertise in the emerging and evolving fields. In this context, the list in proposed paragraphs R390.8 and R5390.8 should be included in application material for a PA/SAP's consideration rather than being a requirement.</p> <p>We also disagree with the IESBA premise that an external expert would not need to have a system of quality management to be able</p>
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		<p>provide the information requested by PA/SAPs under the proposal. There are also broader considerations, such as data privacy and confidentiality, which seem to have been overlooked.</p> <p>Finally, R390.8 and R5390.8 require that the information should be with respect to the period covered by the audit or (sustainability) assurance report and the engagement period, which is excessively long since the expert may only be on the engagement for a short period of time. Hence, we are concerned with operability and enforceability of this approach (i.e. evaluating the external expert’s objectivity through the lens of independence).</p>
	<p>American Institute of Certified Public Accountants Professional Ethics Executive Committee</p>	<p>Overall response: No, with comments below.</p> <p>Detailed comments:</p> <p>The additional requirements for audit or other assurance engagements do not introduce an appropriate level of rigor in that they are too prescriptive. These additional independence attributes are already addressed more broadly in application guidance in the performance standards and should therefore not be addressed in ethical standards.</p> <p>The objectivity evaluation and inquiry requirements are already addressed in the IAASB’s audit and assurance standards, ISA 620, ISAE 3000, and proposed ISSA 5000. In these performance standards, a PA is required to broadly inquire regarding interests and relationships that may create a threat to the external expert’s objectivity. Additionally, potential interests and relationships that may impact objectivity are described in the application material, not in requirement paragraphs. For example, paragraph A20 of ISA 620 states, “When evaluating the objectivity of an auditor’s external expert, it may be relevant to:</p> <p>Inquire of the entity about any known interests or relationships that the entity has with the auditor’s external expert that may affect that expert’s objectivity.</p> <p>Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the auditor’s expert include:</p> <p>Financial interests.</p> <p>Business and personal relationships.</p> <p>Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.</p> <p>In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor’s external expert about any interests or relationships with the entity of which that expert is aware.”</p> <p>If IESBA decides not to remove the independence attributes from the code, PEEC recommends that these attributes be included in</p>

	<p>application material for consistency.</p> <p>Implementation challenges</p> <p>PEEC believes IESBA should remove paragraphs 390.7A1 through 390.11 A2 and paragraphs 5390.7 A1 through 5390.11 A2 (independence attributes). Below, we detail the challenges PAs, external experts, and clients will face in implementing these sections of the proposed standards in practice.</p> <p>In the exposure draft, the additional requirements when an external expert is used in an audit or other assurance engagement are referred to as the independence attributes of the proposal. The EM explains that these requirements have been included as a result of the heightened public interest expectations from stakeholders. However, the requirements are inconsistent with the way many external experts and their employing organizations operate, which will result in their inability to operationalize and comply with the standard.</p> <p>It is unlikely that the external expert's firm has a way to track and report the specific independence attributes, especially across a large organization. Therefore, external experts and their organizations may receive a request from PAs for additional information about the specific independence attributes and choose not to accept the engagement. These firms may be reluctant to implement costly systems to monitor the relationships and interests requested by PAs on a real time and ongoing basis, thus limiting the pool of external experts willing to work with PAs.</p> <p>The proposed standards would result in external experts and their organizations needing to track and report independence attributes with respect to the period covered by the audit or assurance report and the engagement period. This would likely be inoperable for most external experts and further drive up the cost of the engagement, which will then be passed on to the client. The additional costs will disproportionately impact small and medium-sized PA firms because they will likely rely the most heavily on the work of external experts. Large PA firms often have extensive internal expertise and may not need to engage an external expert as frequently.</p> <p>External experts' employing organizations might also be prohibited or unwilling to provide information about the specific independence attributes due to court orders, confidentiality agreements, professional standards, or legal privileges:</p> <p>The external expert might have signed a nondisclosure agreement and be legally prohibited from communicating information about other services the employing organization is providing to the client.</p> <p>The external expert may be an attorney, who cannot divulge information about the client due to attorney-client or work product privilege.</p> <p>If an external expert's employing organization is owned by a private equity (PE) firm, the external expert may not be able to acquire the nature and extent of interests and relationships with the entity, as required by paragraph R390.8 (m). Even if the external expert could gather the information, that PE firm might not be willing to disclose it to the PA.</p> <p>Additionally, without implementing a system to monitor information about the specific independence attributes, external experts may find it challenging to obtain that information with any degree of certainty. This will limit the benefit of the proposed standards and lead to</p>
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	<p>inconsistent practice. It may not be possible to obtain with any reliability:</p> <p>Information about the specific independence attributes from an external expert’s team, depending on how the firm interprets “all members of the external expert’s team,” especially if the external expert is part of an international consulting firm with thousands of employees</p> <p>Information about any position as a director or officer of the entity held or previously held by management of the external expert’s employing organization, especially in a large international consulting firm</p> <p>Information about any previous public statements that could be attributed to the external expert or the employing organization and interpreted as advocating for the entity</p> <p>PEEC has concerns with the additional provisions in paragraph R390.8 based on outreach to consultants who may serve as external experts. The consultants shared similar observations regarding the ability to obtain the following information from a whole team or organization, and also commented on the following:</p> <p>R390.8(b): With respect to loans and guarantees, without an understanding of what would be considered immaterial, we believe the external expert or firm will be challenged to enact an appropriate inquiry analysis.</p> <p>R390.8(e): It will be difficult to obtain this information on a firm wide basis. Consulting firms may not be willing to disclose information about the size of clients or how material the clients are to them, resulting in experts not accepting these engagements with audit firms. Additionally, a “close business relationship” is not defined in the glossary.</p> <p>R390.8(f), (g), and (j): The external expert or their employing organization may be prohibited from disclosing this information due to court orders, confidentiality agreements, professional standards, legal privileges, etc.</p> <p>(f) How far back would the external expert have to look? It states, “any previous engagements” but doesn’t include a reasonable time period.</p> <p>(g) “How long...associated with the entity” – this is overly burdensome for the external expert and firm as it similarly does not include a reasonable time period and again fails to recognize issues with confidentiality (as mentioned above).</p> <p>R390.8(h)(iii): This is impractical because it may not be possible to know all of management’s prior employment relationships in a large firm. Even if a firm were to send out an organization-wide email, there is no assurance that all employees will respond.</p> <p>R390.8(k): “Benefits” is not defined in the glossary and therefore will require interpretation.</p> <p>R390.8(m): Many consulting firms don’t have “controlling” owners, as they are frequently owned by many partners with small percentage ownership and controlling is also not defined. Further, private equity firms have been taking financial positions in both CPA and consulting</p>
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		<p>firms. Even if a PE firm meets the “controlling” threshold, it is unreasonable to expect the consulting firm to request that the investor PE partner respond across the PE firm’s holdings (it is unlikely that PE firms will be willing to share this information).</p> <p>R390.9: It is not clear who qualifies as “all members of the external expert’s team” and whether individuals in administrative roles and staff roles are included, or the level below the engagement partner. It seems difficult for the external expert’s organization to comply with this.</p> <p>R390.10: It is not practical to monitor these changes in facts or circumstances across a large firm. This equates to an onerous, open-ended conflict check procedure imposed upon the external expert’s firm and it is not clear how it would be effectuated, updated, and monitored. Though the exposure draft appears to reflect an understanding that there may not be these levels of monitoring systems in place at the external expert’s firm, IESBA is effectively imposing that they be created if the external expert’s firm performs these services. This does not appear reasonable nor attainable and may affect the availability of critical external experts for use by PAs.</p>
	<p>CNCC- CNOEC</p>	<p>No, we do not agree with the additional provisions relating to evaluating an external expert’s objectivity in new section 390.</p> <p>Even if expert CCO considerations are limited to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, we believe that by adding this long list of requests in R 390.8 on financial interest, loans, business relationships, previous or current engagement, any position as director, any previous public statements, any fee, any benefits, etc., the IESBA is drifting from requiring objectivity from the external experts to actually requiring them to be independent under the same rules as the auditors.</p> <p>The ED, as drafted, leads to evaluate objectivity through the lens of independence, not independence through the lens of objectivity.</p> <p>We would like to stress one potential consequence of having too rigid a set of rules on external expert’s objectivity/independence.</p> <p>Sustainability reporting and sustainability assurance are still at a very early stage in certain countries and practice is not yet fully established, neither for reporting nor for assurance.</p> <p>In Europe, entities have not applied the ESRs yet and auditors have not yet provided assurance on the sustainability reports of their clients prepared in compliance with the ESRs. In addition, experts are scarce.</p> <p>The objective at this stage, in the public interest, should be to raise the quality of the sustainability information provided to the Public. If the assurance providers are not able to use experts to better understand the issues, to better judge their reliability, to better judge the possibilities of improvements, then they will have no choice but to disclaim and the quality of the information will increase more slowly than if they had been able to use external experts.</p> <p>There is a balance to be found between the improvement of the quality of the entity’s information through the use of experts which are objective but not independent “by regulatory creep”, and the risk of slowing down the improvement of the quality of the entity’s information by blocking the use of experts through too rigid a set of rules.</p>

		<p>In addition, the ED would be even more detrimental to SMPs because they will have less or no internal experts “in house” when larger firms will have at least some of those experts “in house”.</p> <p>For this purpose, we find that the evaluation of the external expert’s CCO as required in section 290 is much more reasonable and should be applied to section 390.</p>
IDW		<p>to our comments above in response to q. 2 concerning the information to be requested from an expert and all members of that expert’s team pursuant to proposed paragraphs R390.8 and R5390.8.</p> <p>We assume the proposed requirements of R390.11 and R5390.11 are intended to cover value chain entities. It is interesting here that the IESBA does not propose the PA or SAP request (full) information but only that information of which the expert is aware. For the reasons explained above, we view this as a pragmatical approach, which could be used elsewhere.</p> <p>In this context, we do not believe it is sufficiently clear that when the client is a group this would automatically cover subsidiaries and associated entities whose financial information is consolidated in the context of a financial statement audit.</p> <p>Potential</p>
Institute of Singapore Chartered Accountants	of	<p>We agree that the work of an external expert without the necessary CCO should not be used. However, we are of the view that evaluation of CCO should be principle-based and should not extend to evaluating independence attributes of an external expert as set out under proposed paragraphs R390.8 and R5390.8.</p> <p>External experts engaged by the PA or SAP are not members of the audit team or sustainability assurance team. Hence, it appears unduly onerous to request or expect an expert outside of the team to provide information relating to, for example, financial interests, loans and guarantees, under sub-paragraphs (a) to (d) of proposed R390.8 / R5390.8.</p>
International Federation of Accountants	of	<p>The construct of requirements in this area, including highly rigorous provisions relating to the assessment of objectivity, create too many barriers to be fit for purpose. Additionally, there will be practical challenges for assurance practitioners to obtain the required information from experts. This will especially be the case when dealing with people from outside of the accountancy profession and experts who are unfamiliar with working with assurance providers so may not understand the context in which the information is being provided. The practitioner will have no ability to force the expert to provide information, and if there is a failure to receive, they are unable to use that expert. As we have previously discussed this could have a detrimental impact on the public interest by preventing the use of adequately skilled and knowledgeable experts.</p> <p>There are also challenges around the treatment of objectivity as a concept. Paragraph 84 of the EM identifies it was not possible to delineate the approach for external experts used in PIEs or other engagements because “the fundamental principle of objectivity cannot differ for different clients given that it concerns ethical behavior”. However, as there are additional proposed provisions in this area, it is</p>

		<p>not clear whether delineation can occur in the context of audit and other assurance engagements to give rise to such provisions. Clarity could be provided on what this practically means for such engagements - will there be a different level of objectivity or a more stringent test? The wording of paragraph 84 of the EM may also be problematic in that it implies that independence doesn't concern ethical behavior, in the same way objectivity does. The elevation of one of the fundamental principles in comparison to another could set an inappropriate logic.</p>
	<p>Pennsylvania Institute of CPAs</p>	<p>Overall response: No, with comments below.</p> <p>The committee notes that, in general, these requirements are included within the performance standards, and to the extent that these proposals include incremental requirements, practitioners may not be aware of them. Therefore, the committee is concerned that compliance would be inconsistent. We recommend coordination with the IAASB with respect to any needed incremental improvement to the standards.</p> <p>Furthermore, compliance with the prescriptive guidance in proposed Section 390.7 A1 – 390.11 presents the same implementation challenges that caused the IESBA to reject the requirement that external experts maintain their independence. The committee notes that in some cases, for example, an actuary for a defined benefit pension plan may spend minimal amounts of time reviewing the work of the client's actuary, that compliance with the proposed guidance would cause a significant increase in the compliance costs of using such an external expert. The committee believes that these extensive requirements could result in pressure to avoid the use of external experts due to these significant compliance barriers. We also believe that this would have a greater impact on smaller firms who are not able to internally hire these experts. We believe that these outcomes would be contrary to overall audit quality improvement efforts.</p>
	<p>Royal Netherlands Institute of Chartered Accountants</p>	<p>No, we do not agree that the provisions are responsive to the public interest. For further explanation, we refer to the letter from Accountancy Europe dated April 30, 2024.</p>
	<p>WPK</p>	<p>We believe that the proposed requirements for professional accountants to request detailed information from external experts about their personal interests, relationships, and affiliations, including those of their immediate family, team members, and employers during the audit / assurance period are too demanding. As a consequence, the proposed requirements may discourage experts from collaborating with professional accountants. Also to be taken into account is that external experts most likely do not work in a regulated environment like public accountants and may not be familiar with or be obliged and willing to provide such information for reasons of privacy and data protection.</p>

**Agree**

<b>Professional Accountancy Organizations (PAOs)</b>		
	Asociacion Interamericana de Contabilidad	Yes, we agree, with the additional provisions related to the evaluation of the work of an external expert, because they are necessary to ensure compliance with CCO and we consider that the level of objectivity of this ED is appropriate to the expectations of the public interest.
	Botswana Institute of Chartered Accountants	We agree that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts.
	MICPA (Malaysia)	We agree with the proposal.
<b>Public Sector Organizations</b>		
	UNCTAD's Latin America Regional Alliance	100% of respondents supported the proposal
<b>Regulators and Oversight Authorities, Including MG members</b>		
	Botswana Accountancy Oversight Authority	We agree, the additional provisions introduce a rigorous approach to address public interest expectations concerning external experts. The additional provisions also provide the Auditor with more information on the external expert's objectivity or lack thereof. In the absence of this stringent approach, if the expert has an interest or relationship with the client there is a risk of the expert exerting influence for favourable results for the entity.
	National Association of State Boards of Accountancy (US)	NASBA agrees that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts. NASBA has not identified other considerations that would help to address the heightened public interest expectations.
	Public Accountants and Auditors Board, Zimbabwe	The PAAB agrees that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts.

## QUESTION 5

Question 5: Do respondents support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert? Are there other considerations that should be included?	
Respondent	Extract of Comment
<b>Agree With Comments/ Mixed Views</b>	
<b>Academia and Research Institutes</b>	
College of Public Accountants Costa Rica	We support the proposed provisions. It is suggested to promote dissemination and training on emerging issues such as sustainability assurance, as well as to seek mechanisms to identify experts who meet the required requirements.
<b>Accounting Firms and Sole Practitioners</b>	
Association of the Italian Audit Firms	<p>We support the application of the conceptual framework in the context of using the work of an external expert, considering that it could impact the professional accountant’s compliance with the fundamental principles.</p> <p>We also support the provisions proposed to apply the conceptual framework.</p> <p>However, from our point of view, the formulation of paragraph 390.13 A1 (and equivalent paragraphs 290.8 A1 and 5390.13 A1) stating that “Threats to compliance with the fundamental principles might still be created from using the work of an external expert even if a professional accountant has satisfactorily concluded that the external expert has the necessary competence, capabilities and objectivity for the accountant’s purpose” could be misleading. Indeed, this paragraph seems to consider the CCO evaluation and the process of identifying, evaluating and addressing threats as two different processes, where the second one can be performed only after the positive conclusion of the CCO evaluation of the external expert.</p> <p>Instead, we believe these two processes could effectively go ahead together in order to identify in a timely manner any threats arising from using the work of the external expert.</p> <p>For instance, familiarity threats can be identified at an early stage. As for the CCO evaluation, the consultation clarify that it can proceed while the external expert has started working; it might be useful to explicitly provide that threats to compliance with the fundamental principles might still be created any time you use the work of an external expert (from the selection of the external expert) and the professional accountant need to monitor (and address) these threats to reduce them to an acceptable level or eliminate them if he intends</p>

		<p>to use that external expert.</p> <p>With regard to paragraph 390.16 A1 and A2 concerning “addressing threats”, it could be useful to add as example of safeguard the possibility to remove from the team the relevant individual that has a close personal relationship with the external expert.</p>
	<p>BDO</p>	<p>BDO agrees that it is helpful to include application guidance in Sections 390 and 5390 in relation to the conceptual framework, provided the guidance is consistent with Section 120.6 A3. However, we have the following comments that are relevant to Sections 390 and 5390.</p> <p>BDO does not think that the second bullet of proposed Section 390.14 A1 (a) is consistent with the definition of a self-interest threat at Section 120.6 A3 (a), which refers to the influence of ‘a financial or other interest’. It is not self-evident that ‘undue influence from, or undue reliance on’ an external expert are varieties of self-interest threat. The existence of ‘undue influence from’ an external expert more closely aligns with the intimidation threat described at Section 120.6 A3 (e). Furthermore, the concept of ‘undue reliance on’ an external expert who has the necessary competence, capabilities and objectivity for the accountant or practitioner’s purpose, is not explained in the draft Section 390. Introducing this concept in 390.14 A1 without further explanation or discussion seems likely to introduce uncertainty and inconsistency as to what constitutes ‘undue reliance on’ an external expert.</p> <p>BDO also believes that the example of an advocacy threat in proposed Section 390.14 A1 (b) is inconsistent with Section 120.6 A3 (c). The advocacy threat is defined in terms of the PA’s ability to promote (not disadvantage) a client’s position. Introducing the notion that a PA or SAP would intentionally use the work of an external expert that could reasonably be expected to disadvantage the client seems likely to introduce topics that are not currently addressed in the IESBA Code. Furthermore, an external expert’s known bias is a relevant factor in the PA/SAP’s evaluation of the expert’s objectivity (per 390.6 A4, bullet 3), so it should not be repeated as an advocacy threat in 390.14 A1.</p> <p>BDO believes that the example of the familiarity threat in proposed Section 390.14 A1 (c) satisfactorily illustrates one aspect of this threat, but we think that an additional example could be provided to illustrate the threat that, through frequent use of the same external expert on various different engagements, a PA may become too accepting of the external expert’s work.</p> <p>BDO believes that using a different external expert would effectively eliminate a familiarity threat (390.16 A1) in any circumstance that we can envisage. However, we are doubtful that using another external expert to reperform the external expert’s work (390.16 A2, bullet 2) is a practical safeguard with which to address any threat. It might be more practical, in some circumstances, to use another external expert to review the method and/or results of the external expert’s work.</p> <p>BDO has no further comments.</p>
	<p>DTTL</p>	<p>Overall, Deloitte Global supports using the conceptual framework when using the work of an external expert as this is foundational to the IESBA Code. Our comments on the respective subsections relate to paragraphs 390.13 A1 through 390.16 A2 (including the</p>

		<p>corresponding paragraphs in Sections 290 and 5390):</p> <p>Identifying threats: • Advocacy threats: The example seems to conflict with the earlier assessment of the expert’s CCO. If an external expert has known bias towards conclusions (dis)advantaging the client, then this first and foremost raises questions about the expert’s objectivity.</p> <p>• Familiarity threats: We suggest including the long association between the PA/SAP and the external expert as an example of a familiarity threat.</p> <p>• Intimidation threats: The circumstance of deferring the opinion given the expert’s (perceived) authority is unclear and would benefit from further clarification as to why it creates an intimidation threat.</p> <p>Evaluating threats: • Except for the last bullet, the factors included in paragraph 390.15 A1 are effectively factors that should be used for assessing the CCO of the external expert and whether their work can be used for the engagement. • The last bullet is an example of an intimidation threat, not a factor to evaluate the level of threats.</p> <p>April 30, 2024 Page 8</p> <p>Addressing threats: • It is unclear why paragraph 390.16 A1 is only an action to address a familiarity threat. Although we don’t believe this action is most preferable for reasons cited above, we believe this action will address also other threats to compliance with the fundamental principles from the PA/SAP’s perspective.</p> <p>• The first two bullets in paragraph 390.16 A2 may not be practical. If the PA/SAP has qualified personnel, it would obviate the need for hiring an external expert in the first place. Also, hiring another external expert to reperform the work from the first external expert may conceptually serve as a safeguard but would not be realistic in practice for multiple reasons, including but not limited to cost and timing.</p>
EY		<p>We generally support the provisions that guide PAs / SAPs in applying the conceptual framework when using the work of an external expert.</p> <p>In paragraph 71 of the Explanatory Memorandum, the Board notes that it will consider whether to develop appropriate transitional provisions. We agree that transitional provisions should be considered by the Board. While we generally agree with the Board’s view that market capacity will gradually adjust to meet the demand, we do not believe this will be the case in all fields for which experts are needed.</p>
KPMG		<p>We agree there may be threats to the PA’s or SAP’s compliance with the fundamental principles when using the work of an external expert. We suggest changes are needed to the following:</p> <p>Given the IESBA’s intent to apply the proposals to the use of an external expert in a non-assurance service, the example advocacy threat</p>

		<p>may need to be narrowed or clarified to not inadvertently scope in services where advocacy is not a threat to the fundamental principles. For example, a PAPP providing a litigation non-assurance service to a non-audit client where independence is not required may seem to run afoul of the circumstance in paragraph 390.14 A1 that “A professional accountant promotes the use of an external expert who has known bias towards conclusions potentially advantaging or disadvantaging” the client. This could also be the case for a professional accountant in business in relation to their employing organization in the case where the PA may use an external expert to support a professional activity performed by the PA (paragraph 290.9 A1). The scope of professional services is wide and might include services where the external expert acts as an advocate for the entity.</p> <p>In evaluating threats, the factor “The consistency of the external expert’s work, including the external expert’s conclusions or findings, with other information” (290.10/390.15/5390.15 A1) appears contradictory to the factor for evaluating objectivity which states, “Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work.” (290.6/390.6/5390.6 A4)</p> <p>In addressing threats, the example action to identify a different external expert would be more comprehensive if reworded to state “Seeking consultation with another external expert or using another external expert to reperform the external expert’s work.” (290.11/390.16/5390.16 A2)</p>
	<p>Mazars</p>	<p>We support the provisions and guidance around applying the conceptual framework when using an external expert. The guidance and application material in proposed paragraphs 390.14 A1, 390.15 A1 and 390.16 A1 to A2 with respect to identifying, evaluating and addressing threats to the PA’s compliance with the fundamental principles when using the work of an external expert is helpful in guiding the PA/SAP when dealing with certain scenarios.</p> <p>The guidance could be further enhanced by:</p> <p>including an example around threats arising from long association, where the auditor or assurance practitioner has used the same expert for a number of years, and</p> <p>clarifying the example provided for advocacy threats. In the example provided, presumably the expert would not pass the CCO test and therefore would not be appointed given that they are known to be biased.</p>
	<p>Mo Chartered Accountants, Zimbabwe</p>	<p>This evaluation should be on-going and not merely pre-commencement, similar to independence requirements which require on to be independent throughout.</p>
	<p>PwC</p>	<p>We acknowledge that threats might still exist, and should still be considered, even if a PA or SAP has determined that an external expert has the necessary CCO. However, we would recommend aligning with the existing conceptual framework in the Code to support the</p>

		analysis for considering and addressing such potential threats rather than developing new considerations, some of which appear impracticable and unnecessary beyond the requirements to evaluate CCO (see, for example, the expectation set forth in proposed paragraph 390.15 A1 that a PA would be able to evaluate “whether the external expert’s work, if it were to be performed by two or more parties, is not likely to be materially different.”. Pursuant to our comments in response to Question 2, we also suggest revising proposed paragraph 390.15 A1, which currently states “factors that are relevant” to state “factors that might be relevant” in order to better indicate that the applicability of factors is subject to the PA or SAP’s professional judgement rather than being an all-inclusive list.
	<a href="#">RSM International</a>	<p>We are supportive of the provisions to guide PAs and SAPs in applying the conceptual framework when using the work of an external expert but have suggestions for how this can be enhanced. We recommend that the proposed standard should provide additional guidance on how the PA or SAP can assess an interest or relationship identified. We, therefore, recommend that:</p> <p>The proposed section includes guidance to reflect what is discussed in paragraph 60 of the Explanatory Memorandum that “immaterial and insignificant interests, relationships or circumstances should generally not result in the PA or SAP concluding that the external expert is not objective”; and</p> <p>The application guidance 390.13 – 390.16 and 5390.13 – 5390.16 be included in the respective sections “Evaluating the External Expert’s Competence, Capabilities and Objectivity” as discussed in question 2, response b.</p>
<b>Independent National Standard Setters</b>		
	<a href="#">Accounting Professional &amp; Ethical Standards Board (Australia)</a>	<p>APESB supports the provisions in the Exposure Draft relating to applying the conceptual framework when using the work of an external expert. However, proposed paragraphs R290.13, R390.18, and R5390.18 could be enhanced by providing guidance on examples of how using the work of multiple external experts might create additional threats or impact the level of threats to compliance with the fundamental principles.</p> <p>Potential examples include cases where the experts provide conflicting or divergent opinions or where an external expert exerts pressure on another expert to accept their conclusions or findings.</p>
	<a href="#">New-Zealand Auditing &amp; Assurance Standard Board</a>	<p>Yes. We support the provisions included in the Exposure Draft that guide the PA/SAP in applying the conceptual framework when using the work of an external expert, subject to the comments made in other sections of this comment letter around specific provisions.</p>
<b>Professional Accountancy Organizations (PAOs)</b>		

	ACCA	<p>We support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert. As noted above, in the case of a SAP who is a non-PA under for example proposed Section 5390 for SAPs in the context of sustainability assurance engagements addressed in the proposed Part 5 of the Code, SAPs may need additional implementation guidance in order to understand the implications of the objectivity evaluation requirements.</p>
	Accountancy Europe	<p>Although we agree that additional threats may be relevant when using the work of an expert, we are not sure if proposed provisions add value since the conceptual framework already includes general requirements and guidance in identifying, evaluating and addressing the threats to compliance with fundamental principles. Furthermore, PA/SAPs will most likely evaluate all relevant threats concurrently while they evaluate whether the external expert has adequate level of competence, capabilities and objectivity.</p>
	American Institute of Certified Public Accountants Professional Ethics Executive Committee	<p>Overall response: Yes, with comments below.</p> <p>Detailed comments: Generally, PEEC supports PAs applying the conceptual framework when using the work of an external expert. However, some of the examples of factors that are relevant in evaluating the level of threats included in paragraph 390.15 A1 are performance considerations, such as the following:</p> <ul style="list-style-type: none"> <li>The nature of the professional service for which the external expert’s work is intended to be used</li> <li>The professional accountant’s oversight relating to the use of the external expert and the external expert’s work</li> <li>The appropriateness of, and transparency over, the data, assumptions and other inputs and methods used by the external expert</li> <li>Whether the external expert’s work is subject to technical performance standards or other professional or industry generally accepted practices, or law or regulation</li> </ul> <p>It would be helpful to have additional examples or more clarity on the examples of safeguards provided in paragraph 390.16 A2.</p>
	CAANZ	<p>We support the use of the CF when evaluating whether to engage the expert. We are not convinced that PAs/SAPs who rely upon the expertise of others would assume or should need to assume that these firms or experts will operate within a similar ethical framework as PAs/SAPs.</p> <p>It is reasonable to expect that the PA/SAP would make enquiries as to any standards or professional ethics applicable to the expert. However, these enquiries are unlikely to extend to an assessment of how comparable the expert’s professional standards or applicable code of ethics are to the Code, as the Code does not require it. AM in extant paragraph 320.10 A1 of the Code provides that the PA should consider the reputation and expertise of the expert, the resources available to the expert, and the professional ethics standards applicable to the expert. Similar requirements and AM are found at R220.7 and 220.7 A1. These paragraphs do not require the PA to conclude that the expert operates in a similar ethical framework as PAs. While it is proposed to remove extant paragraph 320.10 A1,</p>

		proposed paragraphs 390.6 A2, 290.6 A2 and 5390.6 A2 do not require the PA/SAP to make an assessment as to the comparability of ethics requirements between the those applicable to the PA/SAP and those of the expert.
	Chartered Accountants Ireland	<p>In general, we support the provisions, but we highlight the following for the IESBA to consider:</p> <p>To ensure a more consistent approach by all sustainability assurance providers, it would be beneficial to include, under potential threats arising from using the work of an external expert, guidance on addressing threats to objectivity as a result of limited or no information being provided in relation to each of the matters outlined in 5390.8(a) to (m).</p> <p>Regarding 290.9 A1(a), 390.14 A1(a) and 5390.14 A1(a), it is difficult to understand how undue influence or reliance can arise from using multiple external experts, when using another external expert to reperform the external expert’s work is an example of an action, provided within the Code, that might be a safeguard to address threats.</p>
	Colombia’s National Institute of Public Accountants	<p>We do support the provisions.</p> <p>We consider that paragraph 390.14 A1 could be complemented by including examples of the threat of mutual interest given the subjectivity of this concept and the great relevance of the professional and the external expert maintaining adequate independence from the assurance client.</p>
	CPA Canada PTC	<p>Overall, the PTC supports the provisions that guide PAs and SAPs in applying the conceptual framework when using the work of an external expert. However, the PTC notes that the example of an advocacy threat in paragraphs 290.9 A1(b), 390.14 A1(b) and 5390.14 A1(b) suggests that an external expert who has a known bias towards conclusions potentially advantaging or disadvantaging the client could be engaged. It is not clear how this external expert would have been deemed to have the necessary objectivity for the CCO assessment, based on the evaluation requirements for objectivity (see paragraphs 290.6 A4, 390.6 A4, and 5390.6 A4). Therefore, the PTC recommends that the IESBA remove this example in the final revisions.</p>
	FACPCE (Federación Argentina de Consejos Profesionales de Ciencias Económicas)	<p>We consider that the provisions that guide PAs or SAPs in the application of the conceptual framework when using the work of an external expert are generally acceptable and in our opinion should be aligned with the provisions linked to those mentioned in the ISA 620, particularly with the provisions of sections A18, A19, A20 regarding the application of safeguards</p>
	IBRACON	<p>We support the provisions of the IESBA. However, it is not fully clear the concept of “undue reliance” and “undue influence” on an</p>

		external expert who has the necessary CCO The lack of examples of these situations may raise some differences on the application of the approach.
ICAS		<p>As noted for paragraph R290.9 A1above, should the self-review threat not also appear within paragraphs 390.14 A1 and 5390.14 A1?</p> <p>Paragraph 70 in the Explanatory Memorandum states: “The IESBA considers that ultimately, an external expert’s competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions or fields with limited experts. The IESBA notes that where it is determined that there are no external experts available in a particular field or jurisdiction, the PA or SAP could consider:</p> <ul style="list-style-type: none"> <li>• Using an expert from another jurisdiction.</li> <li>• Consulting with the appropriate regulatory or professional body and ascertain the proper next steps.”</li> </ul> <p>Is this sufficiently clear in the Sections of the Code?</p>
Institute of Public Accountants Australia		Subject to the comments made in response to questions 1 and 2, IPA generally supports this proposal.
International Federation of Accountants	of	<p>We support the provisions that guide practitioners but acknowledge the reality of the current environment with factors such as technology, and sustainability, meaning there are new work areas that could give rise to a wide range of factors that could impact the use of experts, as well as when recourse to an expert is needed. As such, it may be too early to make an accurate assessment of all of the risks at this time. The IESBA should consider whether these revisions to the Code should be used to draw more attention to the potential threat of not using an expert in circumstances where a special type of expertise is needed i.e., initially regarding new and emerging areas where many PAs would not necessarily possess the required levels of expertise yet.</p> <p>One area where we would like explicit clarity in approach within the ED is around objectivity considerations for the value chain. Paragraph 112 of the EM makes it clear that that Part 5 equivalent to Section 390 does not intend to expand the evaluation of objectivity to value chain entities as this would neither be practicable nor manageable. We agree with this position but note that explicit clarity on the exclusion of the value chain from this assessment is not clear from the wording within the ED itself. This should be made explicitly clear in Code requirements or guidance, as the context of the ED will not be available for users of the final pronouncement.</p>
MIA		We support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert. We acknowledge that threats might still exist, and should still be considered even if a PA or SAP has determined that an external expert has

		<p>the necessary CCO.</p> <p>However, we would appreciate more clarity and practical guidance in paragraph 5390.15 A1 which seems to suggest that the factors outlined are the minimum requirements and might suggest all factors are relevant. Similar to our response in Question 2, we recommend changing the current proposed language from “factors that are relevant...” to “factors that might be relevant...” to better indicate that the applicability of factors is subject to the PA or SAP’s professional judgement.</p>
	<p>Pennsylvania Institute of CPAs</p>	<p>Overall response: Yes, with comments below. The committee supports PAs applying the conceptual framework when using the work of an external expert. Certain factors that are relevant in evaluating the level of threats included in paragraph 390.15 A1 are performance considerations, such as the following: •</p> <p>The nature of the professional service for which the external expert’s work is intended to be used. •</p> <p>The professional accountant’s oversight relating to the use of the external expert and the external expert’s work. •</p> <p>The appropriateness of, and transparency over, the data, assumptions, and other inputs and methods used by the external expert. • Whether the external expert’s work is subject to technical performance standards or other professional or industry generally accepted practices, or law, or regulation.</p>
	<p>Royal Netherlands Institute of Chartered Accountants</p>	<p>Although we agree that additional threats may be relevant when using the work of an expert, we are not sure if proposed provisions add value since the conceptual framework already includes general requirements and guidance in identifying, evaluating and addressing the threats to compliance with fundamental principles. For further explanation, we refer to the letter from Accountancy Europe dated April 30, 2024.</p>
	<p>Saudi Organization for Chartered and Professional Accountants</p>	<p>SOCPA agrees with the provisions that guide the PA or SAP in applying the conceptual framework when using the work of an external expert. However, SOCPA believes it is essential to ensure that the provided guidance adequately covers a wide range of scenarios and potential threats that may arise when using the work of an external expert. Therefore, SOCPA believes the examples of facts/circumstances which create threats to the compliance with the ethical principles, and the actions that can be used to address identified threats may need to be expanded to encompass a broader spectrum of situations related to the evaluation of an external expert's CCO (paragraph 390.16 and 5390.16). Accordingly, introducing examples of experts who might be subject to certain ethical considerations which are required by a regulatory or professional body, and further application materials explaining how PA and SAP should assess the experts’ awareness and compliance with all relevant ethical requirements could add a substantial clarity on this matter.</p>

	<p>The South African Institute of Chartered Accountants</p>	<p>We agree and support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert but have the following specific comments:</p> <p>We do not think that the second bullet of proposed Section 390.14 A1 (a) is consistent with the definition of a self-interest threat as per Section 120.6 A3 (a), which refers to the influence of ‘a financial or other interest’. It is not self-evident that ‘undue influence from, or undue reliance on’ an external expert are varieties of self-interest threat.</p> <p>The existence of ‘undue influence from’ an external expert more closely aligns with the intimidation threat described at Section 120.6 A3 (e).</p> <p>We believe that the example of the familiarity threat in proposed Section 390.14 A1 (c) satisfactorily illustrates one aspect of this threat, but we think that an additional example could be provided to illustrate the threat that, through frequent use of the same external expert on various engagements, a PA may become too familiar in accepting of the external expert’s work.</p> <p>In terms of the proposed safeguards, we believe that using a different external expert, would effectively eliminate a familiarity threat (390.16 A1) in any circumstance. However, we are questioning whether using another external expert to reperform the external expert’s work (390.16 A2, bullet 2) is a practical safeguard with which to address any threat. It might be more practical, in some circumstances, to use another external expert to review the method and/or results of the external expert’s work.</p>
<p><b>Public Sector Organizations</b></p>		
	<p>United States Government Accountability Office</p>	<p>We generally support the provisions that guide professional accountants or sustainability assurance providers in applying the conceptual framework when using the work of an external expert to identify and evaluate threats to the expert’s objectivity and apply safeguards to eliminate the threats or reduce them to an acceptable level.</p> <p>However, we believe that in addition to the discussion of the self-review threat in paragraphs 390.6 A5 and 5390.6 A5, the management participation threat should also be discussed. The management participation threat could be particularly relevant in situations where the external expert had a previous relationship with the entity.</p> <p>In addition, in cases where professional accountants or sustainability assurance providers determine that the threat to objectivity is significant, we believe that the standard should require that they document the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.</p>
<p><b>Regulators and Oversight Authorities, Including MG members</b></p>		
	<p>CEAOB</p>	<p>We welcome the provisions of paragraph 390.14A1. However, we are of the view that these provisions should be requirements rather</p>

		<p>than provided as guidance, especially when a PA has to determine if he has undue influence from, or undue reliance on, the external expert or multiple external experts when performing a professional service. We question whether, if this is set out in the application material only, the PA will fully recognize and deal with the self-interest threat in an appropriate manner.</p>
	<p>IAASA</p>	<p>However, we are of the view that these provisions of paragraph 390.14A1 should be requirements rather than provided as guidance, especially when a PA has to determine if there is undue influence from or reliance on an external expert when performing a professional service. If this is set out in the application material only there is a risk that PAs will fully recognize and deal with the self-interest threat in an appropriate manner.</p>
	<p>Independent Regulatory Board for Auditors</p>	<p>Overall, we support the provisions that guide PAs/SAPs in applying the conceptual framework when using the work of an external expert. Nevertheless, if an external expert has been evaluated and found to be competent, capable and objective, the advocacy threat outlined in paragraphs 390.14 A1(b) and 5390.14 A1(b), which suggests a potential bias, should not arise. This is because a biased external expert would likely not meet the objectivity evaluation. Therefore, we propose that these paragraphs be removed or replaced with more appropriate examples.</p> <p>In principle, it seems reasonable in paragraphs 390.14 A1(b) and 5390.14 A1(b), to list having “a close personal relationship with the expert” as an example of a familiarity threat. However, paragraph 120.6 A3 (d) explicitly defines familiarity threats as those arising only from a “relationship with a client, or employing organisation”. Thus, the Exposure Draft appears to identify a familiarity threat which falls outside of the scope of familiarity threats as defined in Part 1. We therefore recommend either broadening the scope of the definition in paragraph 120.6 A3 (d) or removing or replacing the example in paragraphs 390.14 A1(b) and 5390.14 A1(b).</p> <p>When evaluating threats to compliance with the fundamental principles outlined in paragraphs 390.15 A1 and 5390.15 A1, we suggest adding a factor regarding “the duration that the PA or SAP has used the external expert”, which could be useful in evaluating the experience of the expert (if the duration is short) or the presence of a familiarity threat (if the duration is long).</p>
	<p>International Organization of Securities Commission</p>	<p>We support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert. However, we believe that the following matters should be also considered or included in the Code:</p> <p>Paragraphs 290.9 A1, 390.14 A1, and 5390.14 A1 include examples of facts and circumstances that might create threats, including self-interest threats, advocacy threats, familiarity threats, and intimidation threats. We believe the IESBA should also consider whether to include examples of self-review threats within these paragraphs. Specifically, and as described within the conceptual framework, a self-review threat that the PA or SAP will not appropriately evaluate the results on which they will rely when forming a judgment as part of performing a current activity i.e., overreliance on the external expert. Another example of a self-review threat could be if the external expert is using the work of the PA or SAP to arrive at its own conclusions and subsequently the external expert’s conclusions are relied</p>

		<p>upon by the PA or SAP.</p> <p>The proposed text includes provisions on addressing threats. However, we believe the provisions on addressing threats (paragraphs 290.11 A1-A2, 390.16 A1-A2, and 5390.16 A1-A2) should be updated to include a reference to paragraphs R120.10 to 120.10 A2 similar to the approach taken in paragraph 950.12 A1.</p>
<p><b>Disagree</b></p>		
<p><b>Professional Accountancy Organizations (PAOs)</b></p>		
	<p>IDW</p>	<p>There are many sources of threat to PAs’ or SAPs’ compliance with the fundamental principles of the Code.</p> <p>One of the more significant threats arises when a PA or SAP does not possess the necessary expertise on a subject matter beyond accounting and auditing in an audit or assurance in the case of assurance engagement but still does not use the work of an expert.</p> <p>ISQM 1.32 requires firms to establish appropriate quality objectives in regard to human resources that also cover this aspect. In general, a PAPP should be able to rely on this. However, a PAPP might encounter circumstances where there are doubts concerning the competencies or capabilities of the PA or SAP or the engagement team.</p> <p>The extant version of the Code discusses the threats and safeguards approach from the viewpoint that the accountant will be acting in a professional capacity in accounting and assurance related fields – not necessarily moving into new or emerging fields for which educational support is currently likely to be unavailable or only partially available. Whilst we acknowledge that the extant version of the Code refers to expertise in various ways and there are likely to be CPD requirements applicable to all PAs which together ought to ensure individual PAs take appropriate action to address any “gaps” in their own expertise, we believe the revisions to the Code could make it clearer that the “new and emerging” fields of corporate sustainability-related responsibilities and reporting requirements as well as assurance may currently often demand specific attention by PAs entering this new space. Whilst 230.2 states: “Acting without sufficient expertise creates a self-interest threat to compliance with the principle of professional competence and due care.” and section 270 explains the potential for “Pressure to act without sufficient expertise or due care” (270.3 A2) to create threats in this context and 300.6 A1 explains an intimidation threat can arise where “a professional accountant feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question” also 320.3 A5 lists “Using experts where necessary.” amongst examples of actions that might be safeguards to address a self-interest threat. This said, we question whether this is sufficient or whether these proposed revisions to the Code should draw more attention to this potential threat in circumstances where a special type of expertise is needed/involved. The proposals start with the intention to use the work of an expert – not the need for a PA to consider whether recourse to an expert is necessary.</p>

<b>Agree</b>		
<b>Accounting Firms and Sole Practitioners</b>		
	Grant Thornton	As noted above, we are very supportive of using the conceptual framework in assessing an external expert's CCO. The requirements included in the exposure draft should be used as guidance and application material when applying the conceptual framework.
	PKF	We support these provisions.
<b>Professional Accountancy Organizations (PAOs)</b>		
	Asociacion Interamericana de Contabilidad	Yes, we support the provisions that guide PAs or PAE in the application of the conceptual framework when using the work of an external expert, for the time being we have no other considerations that should be included.
	Botswana Institute of Chartered Accountants	We support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert as elaborated in section VI(A).
	CPA Australia	CPA Australia supports these guidance provisions. It recommends no further considerations for inclusion.
	ICAEW	Yes. Generally, we support these provisions.
	Japanese Institute of Certified Public Accountants	We support the provisions that guide the PA or SAP in applying the conceptual framework when using the work of an external expert. There are no other considerations that should be included.
	Korean Institute of Certified Public Accountants	The KICPA supports the proposed provisions in the ED.
	MICPA (Malaysia)	We agree with the proposal.

	WPK	We agree with the provisions that guide PAs (Professional Accountants) or SAPs (Sustainability Assurance Providers) in applying the conceptual framework when using the work of an external expert.
<b>Public Sector Organizations</b>		
	UNCTAD's Latin America Regional Alliance	100% of respondents supported the proposal
<b>Regulators and Oversight Authorities, Including MG members</b>		
	Botswana Accountancy Oversight Authority	Yes, we do support the provisions as we believe they provide a comprehensive framework for guiding PAs or SAPs in applying the conceptual framework when using the work of an external expert. There are no other considerations that we think should be included.
	National Association of State Boards of Accountancy (US)	NASBA supports the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert. NASBA has not identified other considerations that should be included.
	Public Accountants and Auditors Board, Zimbabwe	The PAAB supports the provisions proposed by the IESBA to guide PAs or SAPs in applying the conceptual framework when using the work of an external expert.
	United Kingdom Financial Reporting Council	The FRC supports the provisions for assisting PAs and SAPs to apply the Code's conceptual framework when using the work of an external expert.

**OTHER MATTERS**

<b>Other matters</b>		
	<b>Respondent</b>	<b>Extract of Comment</b>

Accounting Firms and Sole Practitioners	
<b>DTTL</b>	<p>Deloitte Global has following additional remarks: • Paragraphs R390.18 and R5390.18 require an assessment of the impact of using more than one external expert, but it is unclear how this would increase or decrease the level of threats and the rationale for including this requirement is not explained in the explanatory memorandum. Given this is a requirement paragraph, additional guidance is necessary to ensure consistency in application of the requirement.</p> <ul style="list-style-type: none"> <li>• Part 2 of the Code contains limited communication expectations for a PAIB with those charged with governance. When such communication is included in extant Code it is because of the severity of the topic, such as Section 260 “Responding to Non-compliance with Laws and Regulations” and Section 270 “Pressure to Breach the Fundamental Principles.” It seems unnecessary to include this consideration in paragraph 290.15 A1 for this particular topic.</li> </ul>
<b>PwC</b>	<p>Agreeing the terms of the engagement</p> <p>We acknowledge that in proposed paragraph R390.5, the IESBA has sought to avoid conflict with the provisions of ISA 620 and therefore support the language reflected in the lead-in to the paragraph to address “other professional standards.” It seems contradictory to then specify in part (b) of this paragraph a specific requirement for audit and other assurance engagements. We propose deleting the reference to “In the context of audit or other assurance engagements” and instead make reference to the terms addressing “the provision of information needed from the external expert for purposes of assisting the accountant’s evaluation of the external expert’s competence, capabilities and objectivity.” This would allow a practitioner of a non-assurance service to determine any terms deemed appropriate regarding provision of information. There seems no reason to suggest, as described in paragraph 58 of the EM, that a practitioner in those circumstances would never need to seek information from the external expert.</p> <p>External experts in emerging fields or areas and limitations in information</p> <p>While we do not dispute the factual nature of proposed paragraph 390.17 A1, it is unclear what specific purpose the IESBA had in mind by including these statements. Their connection to the underlying requirements set out in the proposals is not clear. Therefore, clarity regarding the relevance of this provision is suggested. Both this paragraph, as well as proposed paragraphs 390.17 A2 and 390.19 A1, are indicative of the need for the standards to permit flexibility and judgement on the part of the PA or SAP when there are threats to objectivity, particularly in emerging areas such as sustainability.</p> <p>Documentation</p>

		<p>We believe that the statement in the first bullet of proposed paragraph 390.21 A1, to document “the results of any discussions with the external expert”, should be revised to the effect that only significant matters or judgements relating to the scope of work to be performed and the evaluation of that work are relevant for documentation purposes. This is also the approach adopted in ISA 620 and ISAE 3000.</p> <p>Use of an external expert in a non-assurance service versus business relationship</p> <p>The delineation between the use of an external expert in a non-assurance service engagement and going to market with an expert, such as in a business relationship, is not clear. We would not expect the proposed requirements in any section to apply in the case of a business relationship unless the expert is contributing to the outcome of the PA’s or SAP’s engagement. We believe the IESBA needs to clarify the scope of the provisions in this area.</p>
<b>Independent National Standard Setters</b>		
	<p><b>Accounting Professional &amp; Ethical Standards Board (Australia)</b></p>	<p>Considerations relevant to Professional Accountants in Business</p> <p>Regarding the proposed provisions relating to agreeing on the terms of engagement with an external expert, APESB accepts that it is important to establish the terms of engagement. However, when considering this requirement for professional accountants in business (proposed paragraph R290.5), APESB is concerned that some professional accountants may not have the authority to enter into the terms of engagement for their employing organisation.</p> <p>Depending on their role at the employing organisation, professional accountants in business can influence what is included in the terms of engagement, but they will only sometimes be able to agree on the terms of engagement with the expert. APESB encourages the IESBA to consider whether this provision should be guidance rather than setting a requirement that most professional accountants in business will not be able to comply with.</p> <p>Section 290 also includes guidance on communicating with management and those charged with governance when using the work of an external expert (proposed paragraph 290.15 A1). Depending on the established delegated authorities within the employing organisation, it is likely that management would already be aware of the engagement of the external expert.</p>

		<p>Accordingly, APESB is of the view that the paragraph should focus on communication with those charged with governance only, and the words ‘management, and where appropriate,’ should be removed from the proposed paragraph.</p> <p style="text-align: center;">Minor Editorial Comment</p> <p>APESB notes in paragraph R290.7 that the word ‘the’ needs to be included before ‘work of the external expert’ to be consistent with paragraphs R390.12 and R5390.12.</p>
	<p><b>New-Zealand Auditing Assurance Standard Board</b></p> <p style="text-align: center;"><b>&amp;</b></p>	<p>Response:</p> <p>Self-review threats within general requirements</p> <p>Sections 390.6 A1 and 5390.6 A1 notes that a self-interest, self-review or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a PA/SAP uses an external expert who does not have the CCO to deliver the work needed for the professional service.</p> <p>It is unclear how a PA/SAP, who may utilise an expert who does not have the appropriate CCO, could result in a self-review threat. The nature of potential self-review threats is made more unclear by sections 390.14 A1 and 5390.14 A1 which do not note any examples around self-review threats when considering the use of experts, but only includes self-interest threats, advocacy threats, familiarity threats and intimidation threats.</p> <p>We recommend that the IESBA add an example of self-review threats created from the use of an external expert, to avoid confusion around the intention of this category of threats.</p> <p>Interaction with performance-based assurance standards</p> <p>The NZAuASB request further clarity as to how these IESBA proposals will work with the requirements for using the work of external experts contained within performance-based assurance standards.</p> <p>We recommend that the IESBA, the IAASB and other standard setters, including the International Organisation for Standardization (ISO), continue to work together to ensure the ethical requirements and the performance standards work in conjunction when using the work of experts to ensure requirements are inter-operable and do not contradict or cause complacency around an assurance practitioner’s considerations when using external expert.</p>
<p><b>Professional Accountancy Organizations (PAOs)</b></p>		

	<p><b>Accountancy Europe</b></p>	<p>We do not agree that scalability is already built into the objectivity approach for external experts used in an audit or assurance engagements just because it is based on the nature of the engagement and the PA/SAP’s evaluation of the expert’s interests, relationships and circumstances.</p> <p>We are also concerned that the proposals may lead to Small and Medium Practices (SMPs) being at a disadvantage since they may not ordinarily have in-house experts in all areas and thus use external experts more frequently than larger firms.</p> <p>We also disagree with the requirement proposed by paragraphs R290.13, R390.18 and R5390.18 that is relevant when a PA/SAP uses the work of more than one external expert. In any case, a PA/SAP will have considered the potential threats created by using each external expert individually. We do not think there could be a combined effect creating additional threats or impacting the level of existing threats, due to the involvement of multiple external experts. The only relevant consideration for the PA/SAP in using numerous experts will be in relation to the principles of professional competence and due care. In line with these principles, PA/SAPs need to determine whether the engagement team possesses the necessary competencies to perform the professional service.</p> <p>Finally, we believe that PAIBs should communicate only significant matters to those charged with governance. In this regard, we believe that there is no need for specifically encouraging PAIBs to communicate matters related to external experts with management and those charged with governance as proposed by paragraph 290.15 A1.</p>
	<p><b>Chamber of Auditors of the Czech Republic</b></p>	<p>For a clear interpretation, we suggest adding the wording of paragraph 320.11 A2 as follows:</p> <p>„When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 390 apply.”</p>
	<p><b>Chartered Accountants Ireland</b></p>	<p>Regarding Other Matters:</p> <p>It would be useful to include examples and guidance in relation to threats presented from using the work of multiple external experts.</p> <p>Identifying and evaluating expertise in emerging fields or areas is currently a challenge in some areas of sustainability. The Code highlights this, but we would welcome additional guidance within the Code on how this may be addressed by Professional Accountants and Sustainability Assurance Practitioners.</p> <p>Comments on other matters addressed in the Exposure Draft</p>

6 (i) – Simplification, regulation and consistent application

We support the IESBA development of Part 5 of the Code, and welcome its application to all sustainability assurance providers, Professional Accountants and others, with appropriate regulatory oversight that ensures action in the public interest. While regulatory oversight of compliance with the Code by Professional Accountants (PAs) will continue through their existing regulatory frameworks, it is not clear how this will be achieved for Sustainability Assurance Providers (SAPs) who are not Professional Accountants (non-PAs). This creates a risk of Part 5 of the Code being applied inconsistently by non-PAs, and consequently sustainability assurance work falling short of the ethical standards necessary to meet reasonable expectations of stakeholders and to be in the public interest. Furthermore, PAs will incur considerable costs to ensure compliance with these ethical standards, which will put them in an unfair position unless non-PAs are subject to the same requirements. While this is not the role of the IESBA, we are supportive of its engagement and advocacy with global regulators to find an appropriate solution to ensure a level playing field that will encourage a supply of high-quality ethical sustainability assurance providers.

To increase the ease of use of the Code, reduce the unwieldiness of the text and ensure there is consistent understanding and application of Section 5390 by all SAPs, there is an opportunity for the IESBA to consider simplification and alignment with the presentation and format of the proposed ISSA 5000, which SAPs are also likely to require familiarity with, by grouping the requirements in one sub-section, followed by the application guidance in another. Ensuring all SAPs are aware of, understand and apply the requirements of the Code is fundamental to achieve a consistent standard in upholding the public interest. The application guidance is also an important, but separate, component to realise this.

6 (ii) – Terms of engagement with an external expert

We recommend including additional application guidance as part of agreeing the terms of engagement with an external expert (290.5 A1, 390.5 A1 and 5390.5 A1) to include:

The conditions necessary to be satisfied before commencement of any work, e.g. evaluation of the external expert's competence, capabilities and objectivity.

Any limitations or caveats regarding the output from the expert's work, including any reasonable limits on the liability of the expert, and whether this is acceptable for the purposes of the engagement.

Agreement to refer to the work of the expert in a final report, which, in some instances, may be a legal or regulatory requirement.

		<p>A requirement for the external expert to inform the engager of any changes in circumstances impacting their competency, capability, objectivity and independence, e.g. change in personnel, identifying new information impacting engagement delivery, or acceptance of another engagement that creates a conflict of interest or presents a threat to objectivity on this engagement.</p>
	<p><b>CPA Australia</b></p>	<p>Potential Suggested Wording Revisions and Additions</p> <p>Proposed Paragraph 290.4 A2, 390.4 A2, and 5390.4 A2</p> <p>These paragraphs may be more readily understood and interpreted if they were to be worded as follows:</p> <p>An action that might be a safeguard to address such a threat to compliance with the fundamental principles for the professional activity is to use the work of an external expert who has the competence, capabilities and objectivity to deliver the work needed for such service.</p> <p>Proposed Paragraph 290.10 A1, Second Dot Point</p> <p>This dot point might be revised as follows, given that it relates to a professional accountant in business, who may be an employee rather than having an “engagement” arrangement with their employer:</p> <p>The impact of the external expert’s work on the professional accountant’s work and activities.</p> <p>Proposed Paragraph R290.13, R390.18 and R5390.18 guidance or example(s).</p> <p>The understanding and interpretation of these proposed paragraphs would benefit from further clarification, guidance or an example(s).</p>

	<p><b>CPA Canada PTC</b></p>	<p>Experts from specific fields or other jurisdictions</p> <p>The PTC found the discussion in the Explanatory Memorandum, regarding what a PA and SAP should consider when it is determined that there are no external experts available in a particular field or jurisdiction, to be helpful. The PTC recommends that this should be included in any non-authoritative material, education materials or FAQs, that accompany the roll-out of sections 290, 390 and 5390.</p> <p>Documentation</p> <p>Finally, in paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1, the professional accountant is “encouraged” to document the results of discussions, the steps taken to evaluate the CCO and the significant threats identified in using the external experts work and the actions taken to address these threats. Based on the importance of this documentation, the PTC believes that this should be stated as a requirement rather than application material which encourages documentation by the sustainability practitioner.</p>
	<p><b>MIA</b></p>	<p>Agreeing the terms of the engagement</p> <p>We acknowledge that in proposed paragraph R390.5, the IESBA has sought to avoid conflict with the provisions of ISA 620 and therefore support the language reflected in the lead-in to the paragraph to address “other professional standards.” It seems contradictory to then specify in part (a) of this paragraph a specific requirement for audit and other assurance engagements. We propose deleting the reference to “In the context of audit or other assurance engagements” and instead refer to the terms addressing “the provision of information needed from the external expert for purposes of assisting the accountant’s evaluation of the external expert’s competence, capabilities and objectivity.” This would allow a practitioner of a non-assurance service to determine any terms considered appropriate regarding the provision of information. There seems to be no reason to suggest, as described in paragraph 58 of the Explanatory Memorandum, that a practitioner in those circumstances would never need to seek information from the external expert.</p> <p>Documentation</p> <p>We believe that the statement in the first bullet point of the proposed paragraph 390.21 A1, “to document the results of any discussions with the external expert”, should be revised to give the effect that only significant matters or judgements relating to the scope of work to be performed and the evaluation of that work are relevant for documentation purposes. This is also the approach adopted in ISA 620 and ISAE 3000.</p>

		<p>Use of an external expert in a non-assurance service versus a business relationship</p> <p>The delineation between the use of an external expert in a non-assurance service engagement and going to market with an expert, such as in a business relationship, is not clear. We would not expect the proposed requirements in any section to apply in the case of a business relationship unless the expert is contributing to the outcome of the PA's or SAP's engagement. We believe the IESBA needs to clarify the scope of the provisions in relation to business relationships.</p>
	<p><b>The South African Institute of Chartered Accountants</b></p>	<p>The editorial changes recommended below are denoted as strike through for deletions and underlined for insertions.</p> <p>Editorial comment 1</p> <p>Paragraph number 320.11 A2</p> <p>Recommended Editorial Changes to ED</p> <p>When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 390 apply.</p> <p>Comment</p> <p>Considering that Section 390 only applies to external experts, we recommend the inclusion of “external” before “expert” in this paragraph for clarity.</p> <p>Editorial comment 2</p> <p>Glossary (External Expert)</p> <p>Recommended Editorial Changes to ED</p> <p>External experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team.</p> <p>Comment</p> <p>We suggest replacing the full stop with a comma between “review team” and “assurance team” for improved coherence.</p> <p>Editorial comment 3</p>

	<p>Paragraph number 290.15 A1</p> <p>Recommended Editorial Changes to ED</p> <p>The professional accountant is encouraged to shall communicate with management, and where appropriate, those charged with governance:</p> <p>Comment</p> <p>The change in wording will make communication mandatory and enforceable. “Encouraged to” cannot be enforced, whereas “shall” is enforceable. Enforcing communication requirements will lead to enhanced quality on engagements/ assignments. Effectively communicating with TCWG is also a way of protecting the interest of the PA.</p> <p>Editorial comment 4</p> <p>Paragraph number 290.16 A1</p> <p>Recommended Editorial Changes to ED</p> <p>The professional accountant is encouraged to shall document:</p> <p>Comment</p> <p>The change in wording will make documentation requirements mandatory and enforceable. “Encouraged to” cannot be enforced, whereas “shall” is enforceable. Enforcing documentation requirements will lead to enhanced quality on engagements/ assignments. Keeping record of work done is also a way of protecting the interest of the PA. Enforcing documentation requirements, especially for PAPPs also aligns the code with the requirements of ISA 230 Audit Documentation and the proverbial notion of “if it is not documented it is not done”.</p> <p>Editorial comment 5</p> <p>Paragraph number 390.21 A1</p> <p>Recommended Editorial Changes to ED</p> <p>The professional accountant is encouraged to shall document:</p> <p>Comment</p> <p>The change in wording will make documentation requirements mandatory and enforceable. “Encouraged to” cannot be enforced, whereas</p>
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		<p>“shall” is enforceable. Enforcing documentation requirements will lead to enhanced quality on engagements/ assignments. Keeping record of work done is also a way of protecting the interest of the PA. Enforcing documentation requirements, especially for PAPPs also aligns the code with the requirements of ISA 230 Audit Documentation and the proverbial notion of “if it is not documented it is not done”.</p>
<p><b>Regulators and Oversight Authorities, Including MG members</b></p>		
	<p><b>CEAOB</b></p>	<p>Issue – definition of engagement team</p> <p>It seems that “internal experts” (i.e. those employed by the auditor’s firm) are included in the definition of “engagement team” as per IAASB while being excluded from the “engagement team” in the IESBA Code in some instances.</p> <p>The definition of “engagement team” in paragraph 12(d) of ISA 220 (Revised) clearly excludes the “auditor’s external expert”, while the IAASB’s Fact Sheet on the definition of “engagement team” shows internal experts as included in the engagement team (page 4 of the IAASB factsheet).</p> <p>However, this is not the position taken by the IESBA on page 28 of the EM that indicates that the auditor’s internal experts are excluded from the engagement team unless they are performing audit procedures.</p> <p>This may lead to confusion for users of audits and assurance services as well as a lack of consistency in application by practitioners. The IESBA should liaise with the IAASB to assess how best to address this point</p> <p style="text-align: center;">Other Matters</p> <p>The language in paragraphs 390.17 A2 and 5390.17 A2 should be amended to make it clear that an evaluation of the competence of the external expert has to be performed regardless of whether information relating to factors (as listed in 390.6 A2 and 5390.6 A2) relevant to evaluating the competence of an external expert are available or not, i.e. the PA’s responsibilities are not reduced due to lack of information.</p> <p>Paragraph 390.19 A1 mentions “Paragraph R113.3 sets out communication responsibilities for the professional accountant with respect to limitations inherent in the accountant’s professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the external expert’s competence, capabilities or objectivity, and there is no available alternative to that external expert.” Taking into account the requirements of paragraph R390.12, it could be interpreted that the PA could still use the work of this external expert, due to a lack of alternatives, despite the inherent limitations in the CCO evaluation, as long as communication with TCWG is done.</p>

	<p>The language in paragraphs 390.19 A1 and 5390.19 A1 should be strengthened to refer to “limited information to evaluate the external expert’s competence ...”. It would not be appropriate for an accountant to conclude there is no information to perform their evaluation.</p> <p>Paragraph 70 of the EM reads: “The IESBA considers that ultimately, an external expert’s competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions or fields with limited experts. The IESBA notes that where it is determined that there are no external experts available in a particular field or jurisdiction, the PA or SAP could consider:</p> <p>Using an expert from another jurisdiction.</p> <p>Consulting with the appropriate regulatory or professional body and ascertain the proper next steps.”</p> <p>However, this idea is not found in the Code. We believe this should be clarified in the Code, when dealing with the Other Matters section.</p> <p>Clarification of documentation needs for the matters listed in paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1 would be helpful. In our opinion, it is useful to clarify the need for documentation on how the PA evaluated and concluded on the CCO of the external expert and how the PA evaluated potential threats and mitigation of these threats.</p> <p>Section 5390 Using the work of an external expert - General</p> <p>The IESBA should consider whether “information provided by management” in paragraph 5390.4 A4 should also include the work of an expert engaged by the client to assist them in preparing “sustainability information”.</p> <p>Professional appointments</p> <p>It is unclear why paragraphs R320.10 and 3210.10 A1 have been deleted, as well as the amendment of paragraph 320.12 A1 to remove the references to all ‘experts’ as the proposed section 390 only relates to external experts. In particular, clarification is required regarding which provisions apply to the use of an internal expert by an auditor or SAP.</p> <p>Using the work of an external expert - Agreeing the Terms of Engagement with an External Expert</p> <p>It should be clarified that even if law, regulation or other professional standards addressed the terms of engagement, the requirements of article R390.5 shall be included in such terms.</p> <p>We also believe that the terms of engagement should be done in written form and signed by both parties. This is a requirement in EU regulation as well as in ISA 620. Furthermore, this agreement should be included in the documentation (to be included as paragraph</p>
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	<p>390.21).</p> <p>For audits or other assurance engagements, we believe that the terms of engagement should also include a request for the information pursuant to paragraph R390.8. Especially in cases where the evaluation of the external expert’s Competence, Capabilities, and Objectivity (CCO) cannot be done before the external expert starts the work, we consider it essential to clarify what information the external expert has to provide for the PA to assess. For clarity, paragraph R390.5 (b) should contain a cross reference to the information required by paragraphs 390.8 to 390.11.</p>
<p><b>IAASA</b></p>	<p><b>Professional appointments</b></p> <p>It is unclear why extant paragraphs R320.10 and 3210.10 A1 have been deleted, as well as the amendment of paragraph 320.12 A1 to remove the references to all ‘experts’ as the proposed section 390 only relates to external experts. In particular, clarification is required regarding which provisions apply to the use of an internal expert by an auditor or sustainability assurance provider (SAP).</p> <p><b>Agreeing the Terms of Engagement with an External Expert</b></p> <p>It should be clarified that, even if addressed in law, regulation or other professional standards, the requirements of article R390.5 are to be included in the terms of engagement</p> <p>Additionally, the terms of engagement should be in written form and signed by both parties. This is a requirement in EU regulation as well as ISA 620. This agreement should also be included in the list of documentation in paragraph 390.21 A1.</p> <p>For audits or other assurance engagements, the terms of engagement (paragraph R390.5) should include a request for the information relating to the external expert set out in paragraph R390.8. Especially in cases where the evaluation of the external expert’s competence, capabilities and objectivity (CCO) cannot be done before the external expert starts work, we consider it essential to clarify what information the external expert has to provide for the professional accountant (PA) to assess.</p> <p><b>Other Matters</b></p> <p>The language in paragraphs 390.17 A2 and 5390.17 A2 should be amended to make it clear that an evaluation of the competence of the external expert has to be performed regardless of whether information relating to factors relevant to evaluating the competence of an external expert are available or not, i.e. the PA’s responsibilities are not reduced due to lack of information.</p> <p>Paragraph 390.19 A1 states “Paragraph R113.3 sets out communication responsibilities for the professional accountant with respect to limitations inherent in the accountant’s professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the external expert’s competence, capabilities or objectivity, and there is no available alternative to that external expert.” This language should be strengthened to refer to “limited information to evaluate the</p>

	<p>external expert's competence ...". It would not be appropriate for an accountant to conclude there is no information to perform their evaluation.</p> <p>Paragraph 70 of the EM reads: "The IESBA considers that ultimately, an external expert's competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions or fields with limited experts. The IESBA notes that where it is determined that there are no external experts available in a particular field or jurisdiction, the PA or SAP could consider:</p> <p>Using an expert from another jurisdiction.</p> <p>Consulting with the appropriate regulatory or professional body and ascertain the proper next steps."</p> <p>However, this point does not appear in the Code.</p> <p>Clarification of documentation for the matters listed in paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1 would be helpful. IESBA should clarify the need for documentation on how the PA evaluated and concluded on the CCO of the external expert and how the PA evaluated potential threats and mitigation of these threats.</p> <p>Section 5390 Using the work of an external expert - General</p> <p>The IESBA should consider whether "information provided by management" in paragraph 5390.4 A4 should also include the work of an expert engaged by the client to assist them in preparing "sustainability information".</p>
<p><b>IFIAR</b></p>	<p>Perspective on consistency of application</p> <p>19. The ability to comply with the provisions of this ED is highly dependent on the auditor or SAP having a system of quality management that is at least as demanding as ISQM 1. For traditional audit firms, many of them would be subject to oversight in their jurisdictions to ensure compliance with quality management standards. However, for SAPs other than PAs, it is still unclear in many jurisdictions whether these SAPs could comply with such quality management systems.</p> <p>20. Similarly, acceptance and application of the Code by PAs and SAPs varies across the globe. There is also a lack of clarity in many jurisdictions who would hold them accountable.</p> <p>21. Given these circumstances, we encourage the IESBA to continue to pay close attention to the sustainability reporting related developments of each jurisdiction, so that the IESBA can understand the needs for additional provisions or further guidance and respond to them in order to promote consistent application and enforceability.</p> <p>22. Additionally, internal experts are currently out of scope of the ED because it is assumed the assurance services are being provided by a partner/firm that has a system of quality management at least as demanding as ISQM 1 so they are already covered. Given concerns highlighted above about where SAPs can reasonable comply, we encourage the IESBA to reconsider whether this exclusion is</p>

appropriate.

23. Whether information provided by third-party data providers or other sources of information is work performed by an expert, which is explained in paragraphs 99 and 100 of the EM, is not clear enough. For example, whether using the work of cyber security experts and data providers providing value chain information through common platforms are within the scope of this ED is unclear. Some explanations and examples should be added in the final standard in order to promote consistent and appropriate understanding. There are examples in ISA 620 A2 for the IESBA's reference.

24. Examples of facts and circumstances that might create threats to a PAs and SAPs compliance with the fundamental principles when using an external expert's work in paragraphs 290.9 A1, 390.14 A1 and 5390.14 A1 include self-interest threats, advocacy threats, familiarity threats and intimidation threats. Examples of self-review threats should be added to promote consistent, comprehensive and appropriate evaluation of potential threats based on the conceptual framework.

25. Paragraphs 290.15 A1, 390.20 A1 and 5390.20 A1 of the ED include provisions that encourage PAs and SAPs to communicate with management, and where appropriate, those charged with governance (TCWG) when using the work of an external expert. The inclusion of provisions to communicate significant matters in relation to using the work of an external expert with management and TCWG are important and we encourage the IESBA to coordinate with the IAASB to ensure consistency with the ISAs and to minimize the risk of inconsistent application.

26. Regarding paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1 of the ED, more specific provisions on documentation are needed as well. For example, how PAs and SAPs evaluated and concluded on the CCO of external experts and how PAs and SAPs evaluated potential threats and mitigation of these threats should be explicitly documented. For the enforceability, some important factors for documentation including the above examples should be incorporated in the Code itself or relevant guidance clearly. Furthermore, we believe that ED Paragraphs 390.21 A1 and 5390.21 A1 of the ED should be elevated to requirements in order to ensure the consistency with Part 3 of the Code (e.g., paragraphs R310.13 and R360.28).

Profession-agnostic standard (proposed section 5390) and coordination with the IAASB

27. We note that the proposed provisions for SAPs (proposed section 5390) are a part of the ethics standard for sustainability assurance which is a profession-agnostic standard. So, careful considerations for the clarity, understandability and usability of the provisions for SAPs including SAPs other than PAs who are not necessarily familiar with the Code at this moment (proposed 5390) are needed.

28. From this perspective, more clarification is required regarding management's experts. On "Desired Public Interest Position" in paragraph 116 of the EM, 'Management's experts' which is included in "Current Position" is missing. Clarification that the requirements

		<p>for management's experts are covered in ISSA 5000 (not covered in the Code) is needed especially for SAPs other than PAs. Such explanations for clarification should be included in the final standard of this ED.</p> <p>29. In relation to this, certain parts of the ED that are also relevant to “the using of management’s experts” (i.e. some provisions for evaluation competency and capabilities) should be considered for amendments to ISA 500 for audit engagements and ISSA 5000 for sustainability assurance engagements by the IAASB, ensuring consistency with the related additional provisions in this ED at the same timing.</p> <p>30. The IAASB’s existing standard ISA 620 which is the standard of ‘Using the Work of Auditor’s Expert’ includes similar provisions which require evaluations of the CCO as this ED. Therefore, ISA 620 should also be considered to be amended by the IAASB considering this ED in a timely manner.</p> <p>31. We encourage the IESBA to do close coordination with the IAASB in order to ensure the consistency between the IESBA’s standards and the IAASB’s standards regarding various topics including above matters.</p> <p>32. Additionally, the examples of specific work undertaken by an external expert for sustainability assurance engagements described in paragraph 5390.4 A3 of the ED are almost the same as for the examples for audit engagements described in paragraph 390.4 A3 of the ED. It would be more helpful for SAPs that these examples for sustainability assurance engagements are updated to more sustainability specific examples.</p> <p>33. Furthermore, the provision for identifying self-interest threats (paragraph 5390.14 A1 of the ED) should be more sustainability-specific. In sustainability assurance engagements, multiple external experts could be used routinely and different types of external experts could be used depending on whether the assurance practitioners are PAs or assurance practitioners other than PAs. Therefore, these matters should be considered in this provision.</p>
	<p><b>Independent Regulatory Board for Auditors</b></p>	<p>We are concerned about the term “encourage” in proposed paragraphs 390.21 A1 and 5390.21 A1 concerning documentation, as it presents a regulatory risk from an enforcement standpoint and may result in inconsistent implementation. Therefore, we suggest elevating these application paragraphs to requirements.</p> <p>Paragraph R113.4 SA in the IRBA Code is a South African adaptation that states the following:</p> <p>“A registered auditor shall not undertake or continue with any engagement that the registered auditor is not competent to perform, unless the registered auditor obtains advice and assistance that enables the registered auditor to carry out the engagement satisfactorily.”</p> <p>After the IESBA’s issuance of the final pronouncement, we will evaluate the need to update this paragraph, to incorporate the revisions related to using the work of an external expert.</p>

		<p><b>EDITORIAL COMMENTS</b></p> <p>In addition to the proposals made in the main part of our letter, the editorial changes recommended below are denoted as strike through for deletions and underlined for insertions.</p> <p>Paragraph Number</p> <p>Recommended Editorial Changes to ED</p> <p>Comment</p> <p>320.11 A2</p> <p>When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 390 apply.</p> <p>Considering that Section 390 only applies to external experts, we recommend the inclusion of “external” before “expert” in this paragraph, for clarity.</p> <p>Glossary (External Expert)</p> <p>External experts are not members of the engagement team, audit team, review team,. assurance team, or sustainability assurance team.</p> <p>We suggest replacing the full stop with a comma between “review team” and “assurance team”, for improved coherence.</p>
	<p><b>International                  Organization of                  Securities                  Commission</b></p>	<p>Appendix - Editorial Comments</p> <p>Reference (s) of the Paper</p> <p>Proposed Editorial Comments on the Paper</p> <p>290.4 A2, 390.4 A2, 5390.4 A2</p> <p>“An action that might be a safeguard to address such a threat is to use the work of an external expert for the professional activity who has the competence, capabilities and objectivity to deliver the work needed for such service [text deleted] professional activity [text added].”</p> <p>We suggest this edit to align with the use of the term “professional activity” in the first part of this sentence.</p> <p>290.4 A3, 390.4 A3, 5390.4 A2</p> <p>“Examples of such work include... The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, complex financial instruments [text added], environmental liabilities, site clean-up liabilities, and those associated</p>

with insurance contracts or employee benefit plans.” Similar to the examples for the valuation of assets, we suggest adding complex financial instruments as an example for the valuation of liabilities as well as this is a common area where external experts may be used.

290.4 A4, 390.4 A4, 5390.4 A4

“This section does not apply to the use of information provided by individuals or organizations that are external information sources for general use. They include, [text deleted] For example,...” We suggest this edit to avoid potential misunderstanding caused by using both the phrases “does not apply” and “they include”.

290.5 A1, 390.5 A1, and 5390.5 A1

“In agreeing the terms of engagement, matters that the professional accountant might discuss with the external expert include: ... The external expert’s general [text deleted] planned [text added] approach to the work.” We suggest this edit because, in the context of agreeing to the terms of the engagement, this will occur before the work of the external expert begins.

290.6 A4, 390.6 A4, 5390.6 A4

We believe the IESBA, when listing factors that are relevant in evaluating the objectivity of the external expert should consider adding a factor related to undue influence of, or undue reliance on, individuals, organizations, technology, or other factors. See IESBA Code’s fundamental principle of objectivity as described in paragraph 110.1 A1(b)(3).

290.6 A6, 390.6 A5, 5390.6 A5

“... Having produced data or other information, or having designed, developed, implemented, operated, maintained, monitored, updated or upgraded an IT system, [text added] for the entity which is then used by the external expert in performing the work or is the subject of that work.” We suggest this edit as we believe designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems by an external expert might also create a self-review threat to the external expert’s objectivity, and such threats are consistent with the self-review threats included in Parts 4A and 4B of the Code.

R290.7(a), R390.12(a)

“The accountant is unable to [text deleted] has not [text added] obtained the information needed for the accountant’s evaluation of the external expert’s competence, capabilities and objectivity.” We suggest this edit as to not imply the requirement is based on the ability/inability to obtain the information, but rather that the information needed has/has not been obtained. We suggest a similar edit in proposed paragraph R5390.12(a).

290.10 A1

“Factors that are relevant in evaluating the level of such threats include... The impact of the external expert’s work on the professional accountant’s engagement [text deleted] preparation and reporting of financial and other information [text added].” We suggest this edit to

align with the concepts in Part 2 of the Code.

R390.5(b)

“In the context of audit or other assurance engagements, the provision of [text deleted] information needed from the external expert for purposes of assisting the accountant’s evaluation of the external expert’s competence, capabilities and objectivity.” We suggest this edit for clarity. We suggest a similar edit in proposed paragraph R5390.5(b).

390.16 A2

“Examples of actions that might be safeguards to address threats include...Consulting with qualified personnel at the accountant’s firm [text added] who have the necessary expertise and experience to evaluate the external expert’s work, obtaining additional input, or challenging the appropriateness of the external expert’s work for the intended purpose.” We suggest this edit to provide clarification as to who the professional accountant should consult with on this matter. We suggest a similar edit in proposed paragraph 5390.16 A2 by including “sustainability assurance practitioner’s firm.”

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

Proposed paragraphs 290.15 A1, 390.20 A1 and 5390.20 A1 include provisions that encourage a PA or SAP to communicate with management, and where appropriate, those charged with governance (TCWG) when using the work of an external expert. We believe that the provisions to communicate “any threats to the accountant’s[practitioner’s] compliance with the fundamental principles created by using the external expert’s work and how they have been addressed” should be elevated to requirements, as such communications are important to the public interest.

#### Documentation

We believe the IESBA should consider the following matters related to documentation:

Proposed paragraphs 290.16 A1, 390.21 A1, and 5390.21 A1 include provisions that encourage a PA or SAP to document the results of any discussions with the external expert, the steps taken to evaluate the external expert’s CCO and resulting conclusions, and any significant threats identified in using the external expert’s work and the actions taken to address the threats. We believe the IESBA should elevate the provisions in paragraphs 390.21 A1 and 5390.21 A1 to requirements. This would be consistent with the approach taken by the IESBA to documentation requirements for a PA in public practice in Part 3 of the Code (e.g., paragraphs R310.13 and R360.28) and application material paragraphs for a PA in business in Part 2 of the Code (e.g., paragraphs 220.10 A1, 260.23 A1, 260.27 A1, and 270.4

	<p>A1). Furthermore, similar to the provision in paragraph 360.28 A1, we believe that it is important to note that this documentation is in addition to complying with the documentation requirements under applicable auditing or assurance standards.</p> <p>We believe that the IESBA should require the documentation of any threats identified, not only significant threats, and safeguards and conclusions when safeguards are applied. This approach would be consistent with the IESBA's approach to require documentation of any threats to independence in Parts 4A and 4B of the Code.</p> <p>Review engagements</p> <p>Part 3 of the Code sets out provisions that apply to professional accountants in public practice when providing professional services. We believe that the proposed provisions in Part 3 of the Code relating to the use of an external expert should be clarified as to whether they also apply to review engagements. For example, proposed paragraphs R390.5 and 390.7 A1 use the phrase: “audit or other assurance engagements...” Similarly, the definition of “External Expert” includes “In the context of audit engagements...” or “In the context of assurance engagement, including sustainability assurance engagements....”</p> <p>Examples of previous judgments made or activities performed by an external expert that might create a self-review threat</p> <p>Paragraph 5390.6 A5 includes examples of previous judgments made or activities performed by an external expert that might create a self-review threat to the external expert's objectivity. We believe that it is important to clarify whether paragraph 5390.6 A5 includes value chain entities and value chain data, and if so, this should be clearly stated in order to promote consistent application.</p> <p>Examples of specific work undertaken by an external expert</p> <p>Paragraph 5390.4 A3 includes examples of specific work undertaken by an external expert for sustainability assurance engagements. It would be more helpful for a SAP that these examples for sustainability assurance engagements are updated to more sustainability specific examples.</p>
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## GENERAL COMMENTS

### General Comments

Respondent	Extract of Comment
<b>Academia and Research Institutes</b>	
<p><b>College of Public Accountants Costa Rica</b></p>	<p>Translations: Recognizing that many respondents may intend to translate the final changes for adoption in their own settings, the IESBA welcomes feedback on potential translation issues that respondents may notice when reviewing proposals.</p> <p>It is our opinion that in translations the use of acronyms is incorrect: For example, for "Professional accountants" it is used in English PA. In Spanish the same acronym is used, but it is translated as "contadores profesionales" which would actually be CP.</p> <p>We also believe that because there are a large number of acronyms there should be a specific glossary for them.</p> <p>Small and Medium-sized Entities (SMEs) and Small and Medium-sized Enterprises (SMPs): IESBA invites comments on any aspect of SME and SMP proposals.</p> <p>We consider it important to carry out a specific evaluation for small and medium-sized entities, considering aspects such as:</p> <p>Size and complexity: SMEs typically have simpler structures and fewer resources than large enterprises, so assurance procedures need to be tailored to their size and complexity.</p> <p>Specific risks: Identifying the specific risks for an SME, such as reliance on few customers or suppliers, may require a different approach compared to larger companies.</p> <p>Trained staff: In many cases, SMEs may have staff who are less trained in internal control and risk issues, which can influence the way assurance procedures are designed.</p> <p>Cost-effectiveness: Since SMEs tend to have more limited budgets, it is important that insurance work is cost-effective and focuses on the most relevant risks.</p> <p>Clear communication: Because SMBs may have less experience in the area of assurance, it is crucial to communicate findings in a way that is clear and understandable to the customer.</p> <p>Support and advice: SMEs can benefit from a more collaborative approach, providing not only an assurance report, but also advice on how to improve their internal processes and controls.</p>
<b>Accounting Firms and Sole Practitioners</b>	

	<b>Mazars</b>	Maintaining alignment between the international standards promulgated by the IAASB and IESBA would be helpful regarding translation.
	<b>Mo Chartered Accountants, Zimbabwe</b>	<p>Developing and developed countries should be permitted to discuss their unique challenges regarding implementation but we believe that generally application should not pose any peculiar challenges, yet we stand to be corrected on such and our assessment is by no means final and conclusive.</p> <p>Translations may be permitted to suits the respective environments. The benchmarks should always be these standards as a minimum/benchmark/threshold requirement to ensure uniformity of application and adoption to enable comparability and equal application of the requirements.</p>
<b>Independent National Standard Setters</b>		
	<b>Accounting Professional &amp; Ethical Standards Board (Australia)</b>	<p>Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)</p> <p>APESB notes that due to resource constraints or reduced access to internal expertise within SMPs, professional accountants in such firms may rely on the work of experts across a range of professional services. SMPs may find it challenging to address threats to the fundamental principles based on the identified actions in proposed paragraphs 390.16 A2 and 5390.16 A2. Two of the three proposed actions in this paragraph are likely to incur additional costs to implement (e.g., consulting with qualified personnel and reperforming work by another external expert), which may be prohibitive for SMPs.</p> <p>APESB encourages the IESBA to include additional examples of safeguards to provide pragmatic solutions for SMPs.</p>
	<b>New-Zealand Auditing &amp; Assurance Standard Board</b>	<p>Sustainability Assurance Practitioners Other than Professional Accountants – The IESBA invites comments on the clarity, understandability and usability of the proposals from SAPs outside of the accountancy profession who perform sustainability assurance engagements addressed in the proposed Part 5 of the Code.</p> <p>Response:</p>

		<p><b>Examples relevant to sustainability assurance services</b></p> <p>The proposed requirements within Part 5 of the Code, which are proposed to impact SAPs other than professional accountants could be better tailored to reflect the breadth of considerations which may be required when considering sustainability related matters. This would help SAPs other than professional accountants to understand and use the proposals in the context of their sustainability assurance services.</p> <p>For example – Section 5390.4 A3 outlines examples of work which may be performed by an external expert to support a professional service provided by a sustainability assurance practitioner. Further examples to this list, specific for sustainability related professional services, could include:</p> <p>Assessment of biodiversity offsets/credits;</p> <p>Considerations of the range of accounting tools used in ecolabels covering supply chains;</p> <p>Measurement of pollutants emitted to air, water or soil; and</p> <p>Assessment and/or measurement of impacts of activities, product or services on the environment, economy and social or cultural conditions.</p> <p><b>Educational resources and implementation support</b></p> <p>The evaluation of an external expert's competence, capabilities and objectivity in the context of a sustainability assurance engagement could cover a wide range of different subject matters and technical competencies and may be difficult for assurance practitioners to perform an appropriate evaluation. The IESBA should consider the level of educational resources, and awareness building, which will be released alongside these requirements, to assist assurance practitioners to understand the requirements and to be able to implement this in an appropriate manner.</p>
<p><b>Professional Accountancy Organizations (PAOs)</b></p>		
	<p><b>ACCA</b></p>	<p>Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.</p> <p>From an enforcement standpoint, clarity, enforceability, and practicality are paramount considerations in evaluating ED-WEE. We encourage further clarity on how the standards accommodate the unique perspectives and expertise of sustainability assurance</p>

		<p>practitioners outside of the accountancy profession and how this will be regulated in practice, as noted in our general comments above. It's important to ensure that the standards are flexible enough to accommodate different methodologies and approaches while maintaining rigour and integrity in the assurance process and consistency across different regulatory and oversight bodies.</p> <p>For example, the International Auditing and Assurance Standards Board (IAASB) is finalizing International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements and in the EU, as per the CSRD, assurance by an independent auditor or other assurance service provider is initially mandated at a limited assurance level with the overarching goal to eventually transition to a reasonable assurance level. Local regulators and audit oversight bodies will be able to consider these matters for their jurisdictions, but we encourage the board to consider the need for collaboration and communications about these matters to ensure a consistent approach where possible as noted during our outreach.</p> <p>Sustainability Assurance Practitioners Other than Professional Accountants – The IESBA invites comments on the clarity, understandability and usability of the proposals from SAPs outside of the accountancy profession who perform sustainability assurance engagements addressed in the proposed Part 5 of the Code.</p> <p>Whilst we are a Professional Accountancy Body, we acknowledge there is a need for a considerable outreach/education issue to assist preparers, directors and other users to understand the nature of the proposals in ED-WEE and how to apply them in practice for those outside of the profession. We encourage the Board to collaborate with national standard setters and regulators and professional bodies to support this education. We note that the language used in the ED-WEE is rooted in terminology and concepts used in the IESBA Code and the audit profession around ISA 620. As noted above we understand this is necessary to ensure consistency in application of terms, but recognise that some non-PAs may not be familiar with certain terminology and concepts used. Therefore, we believe that non-professional accountant practitioners (NPAPs) may need additional implementation guidance/education to understand the application ED-WEE.</p>
	<p><b>Accountancy Europe</b></p>	<p>We do not agree that scalability is already built into the objectivity approach for external experts used in an audit or assurance engagements just because it is based on the nature of the engagement and the PA/SAP's evaluation of the expert's interests, relationships and circumstances.</p>

<p><b>Asociacion Interamericana de Contabilidad</b></p>	<p>The problems that could be encountered are mainly due to the bureaucratic procedures regarding the authorization to translate these documents in a timely manner, which makes it difficult for us to work on socialization in order to respond in a timely manner.</p>
<p><b>CAANZ</b></p>	<p>The obligations placed on a PA/ SAP by the proposed changes will require external experts to establish sophisticated and costly systems and processes, similar to those in accounting firms, to monitor independence for financial statement audit and assurance engagements. These systems will be cost prohibitive for SME experts and act as a barrier to entry to providing expert services to PAs/SAPs. The outcome would be shortages of experts and / or high fees charged by those experts who can meet the requirements of the Code. It may also discourage experts to engage with PAs. These outcomes are not in the public interest.</p>
<p><b>Chamber of Financial Auditors of Romania</b></p>	<p>- Compliance for Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) :</p> <p>The Code should include general provisions for using the work of external expert but the focus should be in guidance for SMPs in the process of conducting due diligence on potential external experts, establishing clear contractual agreements outlining expectations and responsibilities, and implementing appropriate monitoring and oversight mechanisms throughout the engagement.</p>
<p><b>CPA Australia</b></p>	<p>Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.</p> <p>SMPs will find these proposed revisions extremely challenging to adopt and implement. Many smaller practitioners already find the current Code to be difficult to implement. As the Code will run into several hundred pages after these revisions are made, the time has come (maybe already passed) for the IESBA to seriously consider having an abbreviated Code of Ethics for use by SMEs and SMPs – to complement the work done by other standard setters with respect to having, for example, developed IFRS for SMEs and a standard on audits of less complex entities.</p> <p>Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.</p> <p>The proposed revisions add to the enforcement challenges for professional accountancy organisations undertaking quality reviews of, and professional conduct activities with respect to, its members. Of particular concern is the inherent assumption in some of the proposed revisions that the professional accountants can demand information from third parties and are expected to assume responsibility for the actions of others.</p>
<p><b>IDW</b></p>	<p>Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs)</p> <p>We have already noted that sustainability information will increase estimates and judgments used in reported information subject to</p>

assurance and the maximization of quality in generating these is in the public interest and use of experts will have a role in this. Barriers to using external experts will be hardest felt by SMPs, who are unlikely to have the same level of in-house expertise as larger firms and may consequently result in diminished quality on engagements, which is clearly not in the public interest. The cost of compliance with additional requirements could also be high and would need be added to the cost of monitoring and enforcement. This burden would be most challenging for SMPs that do not have existing dedicated compliance teams.

As we note in our response, obtaining information from experts and the assessment of their objectivity will raise challenges too. Paragraph 85 of the EM states scalability is already built into the objectivity approach which is scaled based on the nature of the engagement and the PA's evaluation of the expert's interests, relationships and circumstances. It is difficult to see how this works practically. As we note, paragraph R390.8 of the ED features a large list of information required from the expert, with many of the bullets starting with 'any'. This amounts to an incredible level of information needed, which if it is not obtained, an expert cannot be utilized. As we note, this is a 'R' paragraph rather than application guidance and taking one element of this further as an example, (i) states that the practitioner needs to be aware of any previous public statements by the external expert or their employing organization which advocated for the entity. It is not clear how a PA is supposed to search for such statements and where the line is between what the expert provides and what the practitioner then needs to search for to supplement this. SMPs will struggle to find experts willing to supply the information and to identify and maintain all further information, so the requirement is an example of something posing a real problem and this is similar for other items in this list.

The inability to place reliance on management experts as covered in paragraphs 19 and 20 of the EM could also be particularly problematic for SMPs. Where management's experts are appropriately qualified, and threats of management bias are low, it may be appropriate to permit reliance on the work of such an expert. Regulated professions using standardized inputs to create standardized reports, such as the work actuaries do, would be a good example especially where Governments set key parameters such as assumptions about mortality etc. There would also be contractual terms of engagement that management can provide to evidence the nature and terms of the engagement with the expert. The work may also be completed in a field bound by a strict code of ethics. It is difficult to see, in such a situation, why there would be challenges to objectivity that the auditor could not safeguard against provided a robust assessment of objectivity threats has taken place. This would differ from some services such as valuation, where an expert may take direction from management, so the issue in such cases is clearer. Perhaps a focus on the extent of direction management can exercise should be the point that is considered to assess objectivity and the ability to place reliance upon work.

#### Regulators and Oversight Bodies

We note the intention to make elements of the Code standard neutral and profession agnostic and are supportive of the general principle behind this, but there are challenges for practical implementation of this approach. Monitoring and enforcement of compliance with Code requirements for PAs is established through set procedures firms put in place and through oversight provided by PAOs, and regulators. Monitoring and enforcement for non-PAs applying the Code is undeveloped and it is not clear how this will take place or who will have responsibility for this. We note that it is not the job of the standard setter to ensure such measures are in place, but the absence

of these would impede the ability for the Code to be applied effectively by non-PAs and would create an unfair situation for PAs who incur considerable costs in maintaining the required processes and oversight.

#### Developing Nations

In addition to the general challenge the exclusion of reliance on the work of management's expert will create for SMPs, it has to be noted the impact of this may be harder felt in smaller territories. In such places, there may be only a handful of experts operating in areas such as valuation and actuarial services. The inability to be able to assess their work as objective could create real practical challenges to using experts on engagements. In such areas, if management are already using the most capable and competent experts in a particular field from the small number available, it is difficult to see on occasions where SMPs could access competent support. They would not have the same access to larger networks of professionals, including in other geographic areas, as larger firms.

The IESBA should recognize that in small territories, many of which will be developing nations, the pool of available experts will be very small, theoretically only a single provider may be available. If these experts are operating under conditions that already reduce threats to objectivity. For example, for pensions valuation there may be standardized, or government set parameters such as salary increase assumptions or mortality rates that the actuary is required to use, which would reduce the threat of management bias in estimates. In such a case it may be appropriate for the auditor to be able to rely on such work. For a client where there is a significant risk posed by the materiality of such matters, or if there are contentious issues, seeking an expert to validate that such parameters have been correctly applied and calculations correctly performed may be appropriate. However, to manage cost and practicality on smaller audits and assurance engagements, where such efforts would not provide significant value, reliance on managements expert after due consideration of competence and objectivity would be favorable. The blanket rejection of management's experts being objective means that such considerations cannot be applied by the auditor/assurance practitioner. We acknowledge there are occasions where an expert used by management is an extension of management, but this is not in all cases.

#### Translations

As we have noted on other consultations in the past, the language used in the Code could create challenges for translation and sufficient time will be needed for translations before new or revised provisions of the Code enter into force. The wording of requirements and guidance is especially important where there will be global and profession agnostic use. It is possible translations may be carried out by organizations or actors who have no previous familiarity with the Code, so the text used should be comprehensible across different cultures with suitable terminology. We request that the IESBA bear this point in mind and place a focus upon avoiding unnecessarily long sentences and implementing concise and easy to understand language, reducing the use of technical terminology and trying to repeat exact words rather than using synonyms where possible. Consistency between IAASB and IESBA for terminology also becomes especially important in this case for similar reasons.

We would also recommend that IESBA start looking at developing and maintaining translation libraries. Within these, key terminology that

		needs to be translated in a particular way for the profession and those outside the profession who will now be using Code could be captured. These will help prioritize certain translations of such terminology and the libraries can be used regardless of whether translation occurs through traditional means or is AI generated. This takes further importance with non-PAs now exposed to wording within the Code and could create efficiencies for translation.
	<b>Japanese Institute of Certified Public Accountants</b>	We do not have any specific comments on the wording used in the Exposure Draft from the perspective of translation into Japanese. However, English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.
	<b>NYSSCPA</b>	Response with regards to Small- and Medium-Sized Entities (SMEs): The ED will create a situation in which there could be a negative effect on the ability of all clients, not only SMEs, and their respective boards, to properly vet potential engagements. Independence is specifically observed for the management of a SME to disclose related party transactions. Objectivity implies a lower standard, which may affect the ability of clients to accurately assess and identify conflicts of interests and related parties, and accordingly would not serve the public interest. Therefore, we prefer the use of the independence standard to evaluate an external expert.
	<b>WPK</b>	Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.  We do not agree with the IESBA's view that scalability is already built into the objectivity approach set out in the proposed new Section 390 (and its equivalent Section in the proposed Part 5) and believe that more guidance regarding scalability seems to be necessary.
<b>Public Sector Organizations</b>		
	<b>UNCTAD's Latin America Regional Alliance</b>	Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment. No special consideration to developing nations. Ethical behaviour is expected both from developed or non-developed countries.  • Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in

		<p>reviewing the proposals.</p> <p>IESBA should establish similar translation policies to those adopted by IFRS Foundation.</p> <p>Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.</p> <p>Proportionality should be taken into account. •</p> <p>Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities. Informative session on the provisions of the Code should be organized in order to stimulated adoption by regulators.</p>
<b>Regulators and Oversight Authorities, Including MG members</b>		
	<p><b>Botswana Accountancy Oversight Authority</b></p>	<p>The IESBA should consider providing a simplified and straightforward guidance on engaging and evaluating external experts. SMEs and SMPs may have limited resources and expertise compared to larger entities, so a clear and concise guidance would be beneficial.</p>
	<p><b>CEAOB</b></p>	<p>Issue – definition of engagement team</p> <p>It seems that “internal experts” (i.e. those employed by the auditor’s firm) are included in the definition of “engagement team” as per IAASB while being excluded from the “engagement team” in the IESBA Code in some instances.</p> <p>The definition of “engagement team” in paragraph 12(d) of ISA 220 (Revised) clearly excludes the “auditor’s external expert”, while the IAASB’s Fact Sheet on the definition of “engagement team” shows internal experts as included in the engagement team (page 4 of the IAASB factsheet).</p> <p>However, this is not the position taken by the IESBA on page 28 of the EM that indicates that the auditor’s internal experts are excluded from the engagement team unless they are performing audit procedures.</p> <p>This may lead to confusion for users of audits and assurance services as well as a lack of consistency in application by practitioners. The IESBA should liaise with the IAASB to assess how best to address this point.</p>

		<p>Section 5390 Using the work of an external expert - General</p> <p>The IESBA should consider whether “information provided by management” in paragraph 5390.4 A4 should also include the work of an expert engaged by the client to assist them in preparing “sustainability information”.</p>
	<p><b>Independent Regulatory Board for Auditors</b></p>	<p>We foresee no significant implementation challenges for SMPs, as these provisions closely resemble those found in ISA 620 and ISAE 3000, which such firms already apply when engaging external experts. Moreover, these provisions offer valuable assistance in conducting the CCO evaluation, as they furnish detailed guidance on its execution. Furthermore, considering that some SMPs often audit clients with less complex issues, their reliance on external experts may be infrequent.</p>
	<p><b>IAASA</b></p>	<p>Section 5390 Using the work of an external expert - General</p> <p>The IESBA should consider whether “information provided by management” in paragraph 5390.4 A4 should also include the work of an expert engaged by the client to assist them in preparing “sustainability information”.</p>