

Meeting: IESBA
Meeting Location: New York
Meeting Date: December 2-6, 2024

Agenda Item

3

Using the Work of an External Expert

Objectives of Agenda Item

1. To:
 - (a) Consider any remaining issues¹ and the final draft of the provisions for *Using the Work of an External Expert* and related consequential amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code); and
 - (b) Approve such provisions and consequential amendments as a final pronouncement.

The Task Force welcomes comments and drafting suggestions in advance of the IESBA meeting for both **Agenda Items 3-A** and **3-B**. Please email kamleung@ethicsboard.org and joannabernard@ethicsboard.org.

Activities since September 2024

1. At its September 2024 meeting, the IESBA discussed significant comments raised by respondents to the Using the Work of an External Expert ED and the Task Force's responses. The discussion included matters for coordination between the IESBA and the International Auditing and Assurance Standards Board (IAASB) regarding using the work of an expert in a financial audit in existing ISA 620² and sustainability assurance, considering the IAASB's intention to approve the proposed International Standard on Sustainability Assurance (ISSA) 5000³ in September 2024.
2. The Task Force held an in-person meeting in October 2024 as well as virtual meetings to develop and finalize the agenda materials for this meeting.
3. The Task Force also conducted targeted outreach with the following stakeholder groups:⁴
 - Forum of Firms Middle East
 - The International Federation of Accountants (IFAC)'s Small and Medium Practices Advisory Group (SMP AG)

¹ The IESBA considered a [full analysis](#) of the comments raised by respondents on the Exposure Draft, *Using the Work of an External Expert* (Experts ED) in September 2024. All comment letters can be access [here](#).

² ISA 620, *Using the Work of an Expert*

³ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

⁴ The November 2024 Stakeholder Advisory Council (SAC) meeting did not include a discussion on the Experts project, although participants provided input to the IESBA's and IAASB's initial thinking on their respective strategy and action plan to support the adoption and implementation of their Sustainability Standards (which includes Using the Work of an External Expert in relation to the Code).

- The Committee of European Auditing Oversight Bodies

Representatives of the above organizations were briefed on the key comments raised by respondents to the Using the Work of an External Expert ED and the related responses.

4. At its [November 8, 2024 virtual meeting](#), the IESBA considered the proposed revisions to Section 390, Section 290, and extant Sections 220 and 320.

Coordination with the IAASB

5. Since the September 2024 Board meeting, the Task Force has continued coordinating with IAASB representatives, as necessary, to maintain the alignment and interconnectivity between the two Boards' sets of standards.
6. The IAASB will commence a project "Narrow Scope Amendments Arising from IESBA's Using the Work of An External Expert Project" in December 2024, with an anticipated approval of a project proposal and exposure draft in March 2025 and June 2025, respectively.
7. To facilitate the IAASB's initial discussions on this narrow scope project in December 2024, IESBA staff will provide the IAASB with an update and overview of the IESBA's final standard.

Matters for IESBA Consideration

8. The Task Force has revised the September 2024 draft of the proposed text to reflect the input from the September and November 2024 IESBA meetings, and the feedback received from targeted outreach that was undertaken in Q4.
9. During the December Board meeting, the Task Force will brief the IESBA on the main changes from the November 2024 draft in **Agenda Items 3-A and 3-B** and explained in orange boxes throughout the texts. In addition, the Task Force will brief the IESBA on the main changes from the ED in **Agenda Item 3-C** in relation to proposed Section 5390,⁵ the Glossary, extant Sections 220 and 320, and consequential amendments.
10. A draft Basis for Conclusions is set out in **Agenda Item 3-D**. It provides an overview of the proposals, a summary of the significant issues raised by ED respondents and the IESBA/Task Force responses to date regarding the key themes of the project. This document will be updated after the December meeting to reflect the outcome of the IESBA's final deliberations.

Due Process Matters

Significant Matters Raised by Respondents

11. It is the Task Force's view that all significant matters raised by the respondents in comment letters were identified and considered by the Task Force. The Task Force's analysis of the significant matters identified and its proposals have also been presented in public agenda papers for the Board's discussions. In the Task Force's view, there are no significant matters raised by respondents that have not been brought to the IESBA's attention.

Need for Further Consultation

12. Subject to the final matters to be discussed during the December 2024 Board meeting, the Task Force believes that all significant matters have been duly deliberated by the IESBA. The Task Force

⁵ Changes to Section 5390 have been conformed from changes to Section 390.

and IESBA representatives have also pursued extensive outreach to stakeholders throughout the project, including:

- The global roundtables held in Paris, Sydney, Singapore and New York in March and April 2023, which informed the development of the Using the Work of an External Expert ED.
 - The global seminar held in Toronto in April 2024, as well as the global webinar held in February 2024 to engage with stakeholders on the proposals in the ED.
 - Targeted investor/user outreach held in April 2024 to engage with the investor/user community on the proposals in the ED.
 - Various meetings with members of the regulatory community (including the International Organization of Securities Commissions (IOSCO) and International Forum of Independent Audit Regulators (IFIAR)), the former IESBA Consultative Advisory Group (CAG), the Forum of Firms, IFAC's SMP AG, professional accountancy organizations (PAOs), and national standard setters (NSS).
13. Finally, the project was closely coordinated with the IAASB.
14. On the basis of the above, the Task Force does not believe there is a need for further consultation with stakeholders.

Consideration of the Need for Re-Exposure

15. **Agenda Item 3-C** sets out the revisions that were made to the Using the Work of an External Expert ED in mark-up. The key revisions to the ED include:
- Full alignment of definitions with ISA 620 whenever the IESBA and the IAASB are using the same terms.
 - New guidance pointing to other professional standards that address the adequacy of an experts' work for the professional accountant's purpose under a coordinated approach with the IAASB.
 - Clarification of the scoping of the provisions.
 - Application of the conceptual framework approach in relation to the evaluation of an external expert's objectivity.
 - For an audit, review or other assurance engagement:
 - As part of agreeing the terms of engagement with the external expert, a new requirement for the external expert to communicate any changes in the information provided from the beginning of the audit, review or other assurance report until the issuance of such report.
 - As part of agreeing the terms of engagement, an explicit request for the external expert to provide information in writing with respect to specified interests, relationships and circumstances.
 - In Section 390, introduction of a more proportionate approach to evaluating an external expert's objectivity, distinguishing the relevant provisions between:
 - Audit and Review Engagements for Clients that are Not Public Interest Entities and All Other Assurance Engagements Outside the Scope of Part 5; and
 - Audit and Review Engagements for Clients that are Public Interest Entities.

- Clarification of the period of evaluation in relation to an external expert's objectivity.
 - A new requirement for the re-evaluation of the external expert's competence, capabilities and objectivity (CCO) should the professional accountant become aware of any changes in facts and circumstances.
 - New guidance to emphasize that the evaluation of an external expert's CCO requires the exercise of professional judgment and use of the reasonable and informed third party test.
 - New guidance to clarify the circumstances that would result in a professional accountant being unable to determine whether the external expert has the necessary CCO.
 - New guidance to explain the ethical basis for prohibiting the use of the work of an external expert when the external expert does not have the necessary CCO.
 - Deletion of the requirement under the sub-heading Using the Work of Multiples Experts as the issue addressed is already covered under the provision dealing with Identifying Threats.
 - Deletion of the guidance under the sub-heading Inherent Limitations in Evaluating an External Expert's Competence, Capabilities and Objectivity as it seemed to suggest that the work of an external expert can be used even if not CCO.
 - Restructuring of the provisions to enhance flow and clarity.
16. In light of the above, the Task Force believes that re-exposure is not warranted as the changes post-exposure are in response to feedback from respondents to the Experts ED, matters raised by the Public Interest Oversight Board (PIOB), and matters arising from coordination with the IAASB. In the Task Force's view, these changes do not fundamentally change the proposals in the Experts ED.

Action Requested

17. IESBA members are asked to:
- (a) Consider the Task Force's analysis, proposals and editorial refinements set out in **Agenda Items 3-A, 3-B, and 3-C**, including:
 - (i) Changes to proposed Section 5390 in **Agenda Item 3-C**; and
 - (ii) The proposed effective date as set out in **Agenda Item 3-C**;
 - (b) Consider whether there are any other matters raised by the respondents to the Experts ED that should be discussed by the IESBA;
 - (c) Approve the revised provisions, amended as appropriate during the Board meeting;
 - (d) Conclude on whether there is a need for re-exposure; and
 - (e) Subject to the approval of the final pronouncement, provide feedback on the draft Basis for Conclusions in **Agenda Item 3-D**.

Materials Presented

For Discussion

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| Agenda Item 3-A | Section 390 (Mark-up from November 2024 Text) |
| Agenda Item 3-B | Section 290 (Mark-up from November 2024 Text) |
| Agenda Item 3-C | Proposed Revised Text (Mark-up from Exposure Draft) |
| Agenda Item 3-D | Draft Basis for Conclusions |

For Reference

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| Agenda Item 3-E | Using the Work of an External Expert: Due Process |
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