

Using the Work of an External Expert

Section 290: Proposed Revisions (Mark Up from [November 2024 IESBA Meeting](#))

Where not otherwise explained in this document, edits have been made by the Task Force to respond to suggestions to enhance clarity and specificity, and to align with the December draft of Section 390 (**Agenda Item 3-A**).

PROPOSED SECTION 290

USING THE WORK OF AN EXTERNAL EXPERT

Introduction

- 290.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 290.2 A professional accountant might use the work of an external expert in the performance of a professional activity for their employing organization. Using the work of such an external expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.

The Task Force further considered the comment from a Board member that the PAIB has to operate within the employing organization's policies and procedures, including delegation of authority, and that this should be recognized within Section 290.

The Task Force recognizes that in practice, it will generally be the employing organization that will enter into the contract of engagement with the external expert. In this regard, there are two situations in which the employing organization might enter into contract with the external expert:

- The employing organization contracts directly with the external expert to provide the necessary expertise without the PAIB being involved in that decision.
- The PAIB escalates the need to engage an external expert to the PAIB's superior or other responsible party/parties within the employing organization. Following due consideration within the employing organization, a decision is made to engage the external expert and the employing organization enters into the contract with the external expert.

In both cases, it is implicit that there will be a process to engage the external expert. In some organizations, there might be formality around such a process in terms of specific policies and procedures to be followed in engaging the external expert, including preparing the case for engaging the external expert, having the appropriate level of management authorize the engagement of the external expert, determining whether there should be a tender, etc. The Task Force does not believe that, if the PAIB has determined to use the work of an external expert as a safeguard under the Code (see paragraph 290.4 A2), it is necessary for the Code to specify that the PAIB would need to follow any applicable policies and procedures within the employing organization to secure the external expert.

The premise is that the PAIB will follow such policies and procedures within the employing organization where necessary. Section 290 then appropriately focuses on the ethical obligations of the PAIB in using

the work of the external expert, including the evaluation and conclusion of the external expert's competence, capabilities and objectivity (CCO).

290.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an external expert.

Requirements and Application Material

General

290.4 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 activity for which the accountant has insufficient expertise.

290.4 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 activity who has the competence, capabilities and objectivity to deliver the work needed for such service activity.

290.4 A3 An external expert might be used to undertake specific work to support a professional activity performed by a professional accountant. 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.
- The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, environmental liabilities, complex financial instruments, site clean-up liabilities, and those associated with insurance contracts or employee benefit plans.
- The calculation of greenhouse gas emissions.
- The measurement of pollutants emitted to air, water and soil.
- The assessment of forward-looking information about the decarbonization plans of an entity.
- The assessment of the application of offsetting mechanisms for an entity, such as for carbon or biodiversity.
- The valuation of products and materials designed along principles for a sustainable economy.
- The estimation of oil and gas reserves.
- The interpretation of contracts, laws and regulations, including tax and labor laws and regulations.
- The assessment and evaluation of IT systems, including those related to cybersecurity.

290.4 A4 This section does not apply to:

- (a) The use of the work of individuals or organizations that are engaged by the professional accountant and are under the accountant's direction, supervision and review, for example, subcontractors; and
- (b) The use of information provided by individuals or organizations that are external information sources for general use. Examples of those information sources include⁷ 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.

Agreeing the Terms of Engagement with an External Expert

R290.5 If the professional accountant has determined to use an external expert for a professional activity and has identified an external expert for such purpose, the accountant shall agree the terms of engagement with the external expert, including the nature, scope and objectives of the work to be performed by the external expert.

290.5 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 planned approach to the work.
- Expectations regarding:
 - The confidentiality of the external expert's work and the inputs to that work.
 - The information to be provided by the external expert and the nature of such information.
 - The content and format of the external expert's completed work, including any assumptions made and limitations to that work.
 - The fees for the external expert's work.
 - The external expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the professional accountant's employing organization, or by those charged with governance, management or these others working for or under the direction of the employing organization, of which the external expert becomes aware when performing the work.

290.5 A2 A self-interest, self-review, familiarity or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a professional accountant uses an external expert who does not have the necessary competence, capabilities or objectivity to deliver the work needed for the particular professional activity.

Evaluating the External Expert's Competence, Capabilities, and Objectivity

R290.6 The professional accountant shall evaluate whether the external expert has the necessary competence for the accountant's purpose.

290.6 A1 Competence relates to the nature and level of expertise of the external expert.

290.6 A2 Factors that are relevant in evaluating whether the external expert has the necessary competence include:

- Whether the external expert's credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed.
- Whether the external expert belongs to a relevant professional body or is subject to oversight by a regulatory body or other authority, and, if so, whether the external expert is in good standing.
- Whether any disciplinary actions have been published by a regulatory body or other authority relating to the external expert's competence.
- Whether the external expert's work is subject to legal and regulatory requirements or professional standards issued by a recognized body, or follows generally accepted principles or practices in the external expert's field or area of expertise.
- Whether the external expert can explain their work, including the inputs, assumptions and methodologies used.
- Whether the external expert has a history of performing similar work.

R290.7 The professional accountant shall evaluate whether the external expert has the necessary capabilities for the accountant's purpose.

290.7 A1 Capabilities relates to the ability of the external expert to exercise ~~that~~their competence in the circumstances of the professional activity.

290.7 A2 Factors that are relevant in evaluating whether the external expert has the necessary capabilities include:

- The resources available to the external expert.
- Whether the external expert has sufficient time to perform the work.

R290.8 The professional accountant shall evaluate whether the external expert has the necessary objectivity for the accountant's purpose.

290.8 A1 Objectivity relates to the possible effects that bias, conflict of interest, or the undue influence of, or undue reliance on, others might have on the professional or business judgment of the external expert.

290.8 A2 Factors that are relevant in identifying threats to the objectivity of the external expert for the period during which the external expert is performing the work include:

The Task Force considered a comment from a Board member as to whether the period of objectivity specified here is necessary, but noted that such period was added to address exposure draft comments that questioned the period that should be covered in order for the PA to "evaluate the external expert's objectivity for the PA's purpose."

- Whether the external expert or their employing organization has an actual or potential conflict of interest or other interests in relation to the work the external expert is performing at the entity.

- Whether the professional accountant is aware of any potential bias that might affect the external expert's work.
- Whether the external expert is charging a contingent fee, and if so, the basis for such fee.
- 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 relation to the subject matter of the external expert's work.

290.8 A³⁴ The external expert's employing organization is the entity that directly employs the expert, regardless of the legal form of the employment, and does not extend to other entities that might control, or are otherwise related to, the employing organization.

290.8 A⁴⁵ 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.

290.8 A⁵³ 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, or having designed, developed, implemented, operated, maintained, monitored, updated or upgraded an IT system, for the entity which is then used by the external expert in performing the work or is the subject of that work.

290.8 A⁶ Factors that are relevant in evaluating the level of such threats to the external expert's objectivity include:

- The existence of conditions, policies and procedures established by the external expert's profession, legislation, regulation, or the external expert's employing organization, including 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.
- The nature and scope of the external expert's work.
- The existence and adequacy of any quality management system employed by the external expert.

290.8 A⁷ Examples of actions that might be safeguards to address threats to an external expert's objectivity include:

- Consulting with qualified personnel, or a professional outside the professional accountant's firm~~employing organization~~, who have the necessary expertise to evaluate the external expert's work for the intended purpose.
- Requesting the external expert to take steps to address a conflict of interest, for example, implementing measures to segregate the work from such conflict of interest.
- Restructuring or reassigning the part of the external expert's work giving rise to the threat

to another external expert.

Sources of Information

290.9 A1 Information about the external expert's competence, capabilities and objectivity might be obtained from various sources, including:

- Personal association or experience with previous work undertaken by the external expert.
- Inquiry of others within or outside the professional accountant's employing organization who are familiar with the external expert's work.
- Discussion with the external expert about their background, including their field of expertise and business activities.
- Inquiry of the external expert's professional body or industry association.
- Articles, papers or books written by the external expert and published by a recognized publisher or in a recognized journal or other medium.
- Published records, such as legal proceedings involving the external expert.
- Inquiry of management of the professional accountant's employing organization and, if different, the entity at which the external expert is performing the work regarding any interests and relationships between the external expert and the employing organization or the entity.
- The internal controls, policies and procedures of the professional accountant's employing organization.

Additional Considerations when Evaluating Competence, Capabilities and Objectivity

290.10. A1 Evaluating whether an external expert has the necessary competence, capabilities and objectivity for the professional accountant's purpose involves exercising professional judgment and using the reasonable and informed third party test.

290.10 A2 A professional accountant might face pressure to breach the fundamental principles if the accountant encounters difficulties in concluding, or is unable to conclude, that the external expert has the necessary competence, capabilities and objectivity for the accountant's purposes when the external expert has already performed a significant portion of their work. In such circumstances, Section 270 is relevant in considering how to address such pressure.

Consideration of New Information or Changes in Facts or Circumstances

All Professional Services

R290.11 The professional accountant shall re-evaluate whether the external expert has the necessary competence, capabilities and objectivity for the accountant's purpose when new information or changes in facts and circumstances arise.

Concluding on the External Expert's Competence, Capabilities and Objectivity

- R290.12** The professional accountant shall not use the work of the external expert if the accountant:
- (a) Is unable to determine whether the external expert has the necessary competence or capabilities, or is objective;
 - (b) Determines that the external expert does not have the necessary competence or capabilities for the accountant's purpose; or
 - (c) Determines that there are threats to the external expert's objectivity that cannot be eliminated or reduced to an acceptable level.

~~290.12 A1 Circumstances in which a professional accountant would be unable to determine whether the external expert has the necessary competence, or capabilities, or is objective, include where:~~

- ~~• The external expert is unable to provide any of the information requested in paragraph R390.12 because of a confidentiality restriction in law or regulation.~~
- ~~• In relation to specific information requested in paragraph R390.12 concerning the external expert's immediate family member or employing organization, the external expert is unable to obtain their consent to such disclosure.~~

Deleted as this equivalent paragraph in Section 390 pertains to audits, reviews and other assurance engagements outside the scope of Part 5, which is not relevant for PAIBs.

290.12 A~~1~~12 If a professional accountant uses the work of such external expert, this creates threats to the accountant's compliance with the principles of integrity, objectivity and professional competence and due care that cannot be eliminated or reduced to an acceptable level by the application of safeguards.

Potential Threats Arising from Using the Work of an External Expert

290.13 A1 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.

Identifying Threats

290.14 A1 Examples of facts and circumstances that might create threats to a professional accountant's compliance with the fundamental principles when using an external expert's work include:

- (a) Self-interest threats
 - A professional accountant has insufficient expertise to understand and explain the external expert's conclusions and findings.
 - A professional accountant has undue influence from, or undue reliance on, the external expert or multiple external experts when performing a professional activity.
 - A professional accountant has insufficient time or resources to evaluate the external expert's work.

(b) Self-review threats

- A professional accountant uses the work of an external expert who relies on previous judgments made by the accountant and provided to the external expert for the purposes of their work.

(c) Advocacy threats

- A professional accountant promotes the use of an external expert who has known bias towards conclusions potentially advantaging or disadvantaging the professional accountant's employing organization.

(d) Familiarity threats

- A professional accountant has a close personal relationship with the external expert.

(e) Intimidation threats

- A professional accountant feels pressure to defer to the external expert's opinion due to the external expert's perceived authority.
- A professional accountant feels pressure to use the work of a particular external expert in order to meet internal or external targets and expectations.

Evaluating Threats

290.15 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.
- 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, 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 professional accountant's 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.

Addressing Threats

290.16 A1 An example of an action that might eliminate a familiarity threat is identifying a different external expert to use.

290.16 A2 Examples of actions that might be safeguards to address threats include:

- Consulting with qualified personnel, ~~within the employing organization~~ or a professional outside the professional accountant's employing organization, who have the necessary expertise to evaluate the external expert's work, obtaining additional input, or challenging the appropriateness of the external expert's work for the intended purpose.
- Using another external expert to reperform the external expert's work.
- Agreeing with management of the professional accountant's employing organization additional time or resources to complete the activity.

Other Matters

External Experts in Emerging Fields or Areas

290.17 A1 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.

290.17 A2 Information relating to some of the factors relevant to evaluating the competence of an external expert in paragraph 290.6 A2 might not be available in an emerging field or area. For example, there might not be public recognition of the external expert, professional standards might not have been developed, or professional bodies might not have been established in the emerging field. In such circumstances, a factor that might assist the professional accountant in evaluating an external expert's competence is the external expert's experience in a similar field to the emerging field, or in an established field, that provides a reasonable basis for the external expert's work in the emerging field.

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

290.18 A1 The professional accountant is encouraged to communicate with management, and where appropriate, those charged with governance:

- The purpose of using an external expert and the scope of the external expert's work.
- The respective roles and responsibilities of the accountant and the external expert in the performance of the professional activity.
- Any threats to the accountant's compliance with the fundamental principles created by using the external expert's work and how they have been addressed.

Documentation

290.19 A1 The professional accountant is encouraged to document:

- The steps taken by the accountant to evaluate the external expert's competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the accountant in using the external expert's work and the actions taken to address the threats.
- The results of any significant discussions with the external expert.