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Contact: +49 30 726161-0

## **IESBA Exposure Draft: Using the Work of an External Expert**

Dear Gabriela,

Dear Ken,

The Wirtschaftsprüferkammer (WPK) is pleased to take the opportunity to comment on the above-mentioned Exposure Draft (ED). We would like to highlight some general issues first and provide you with our specific responses to selected questions of the ED subsequently.

### **General Comments**

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.

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.

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.

## **Request for Specific Comments**

### *Glossary*

1. Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions? See Section III.

WPK mostly agrees with the definitions. However, we believe that the proposed definition of expertise should include experience as well. 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.

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.

### *Evaluation of CCO for all Professional Services and Activities*

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? See Section V.

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.

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.

We would recommend more flexibility in the evaluation of competence, capabilities and objectivity.

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? See paragraphs 67 to 74.

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.

#### *Evaluation of CCO for Audit or Other Assurance Engagements*

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? See Section (V)(A).

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.

#### *Potential Threats Arising from Using the Work of an External Expert*

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? See Section (VI)(A).

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.

## Request for General Comments

- *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.

- *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.

n/a

- *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.

n/a

- *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.

n/a

- *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 reviewing the proposals.

n/a

We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

Kind regards,

A handwritten signature in blue ink, appearing to read "Hüning".

Dr. Michael Hüning  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Langosch".

WP Jan Langosch  
Senior Manager Audit & Accounting