



30 April 2024

Gabriela Figueiredo Dias,
Chair
International Ethics Standard Board for Accountants (IESBA)

SUBMISSION ON IESBA'S EXPOSURE DRAFT PROPOSED USING THE WORK OF AN EXTERNAL EXPERT BY THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

Sent via IESBA website.

Dear Gabriela,

The Association of Chartered Certified Accountants (ACCA) are grateful for the opportunity to make this submission. Should you or your team have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Sarah Lane, Head of Ethics and Assurance at ACCA via the email or phone number below.

Sustainability and ethics are top of the agenda for ACCA and indeed business, the public sector and policymakers everywhere. We uphold the highest professional, ethical values and support sustainable business for our members. Accountants, with their broadening skillset, have a central role in informing, driving and embedding sustainable approaches, including experts' work. In preparing our response we have performed outreach with our members as a thriving global community of 247,000 members and 526,000 future members based in 181 countries.

We outline our general comments in Part A, before sharing the feedback from our outreach in Part B, followed by more detail to the specific questions asked in Part C below. We commend the IESBA for the development of the Exposure Draft of Using the Work of an External Expert (ED-WEE) alongside 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) which we will respond to in due course.

We believe that accountancy is a cornerstone profession of society that supports both public and private sectors. We are committed to the continued development of a strong global accountancy profession and the many benefits that this brings to society and individuals. Since 1904, being a force for public good has been embedded in ACCA's purpose and we adapt with the evolving business and regulatory environment.

Through our world leading ACCA Qualification, we offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. And using our respected research, we lead the profession by answering today's questions preparing us for tomorrow.

We look forward to working together to address the ethics, including independence, considerations relating to the use of all experts, whether employed or externally engaged by an employing organization 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.

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PART A: GENERAL COMMENTS

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 information¹.

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.

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

¹ This aligns with the findings of ACCA's thought leadership report Sustainability Assurance - Rising to the Challenge, where we emphasise that in sustainability assurance engagements there is an unprecedented dependence on subject matter experts, which may also suggest the need for additional standard or guidance beyond what is currently in ISAE 3000 (Revised) and ISA 620.

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 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.

- 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.
- 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.
- 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.

PART C: SPECIFIC QUESTIONS - RESPONSES TO IESBA'S REQUEST FOR COMMENTS IN THE EXPLANATORY MEMORANDUM FOR EXPOSURE DRAFT PROPOSED USING THE WORK OF AN EXTERNAL EXPERT

1. DO RESPONDENTS SUPPORT THE PROPOSALS SET OUT IN THE GLOSSARY CONCERNING THE PROPOSED NEW AND REVISED DEFINITIONS? SEE SECTION III.

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.

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, 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.

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.

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.

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 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.

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.

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 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.

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.

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.

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.

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 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.

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.

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 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.

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.

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 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.

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.

No response.

- 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.

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 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.

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.

- 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.

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.

- Developing Nations – Recognising 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 response.

- 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.

No response.