

28 April 2024

Submitted via the IESBA website using [link](#) provided in Exposure Draft

Dear Mr Siong,

Subject: Response to the IESBA Exposure Draft: Using the Work of an External Expert

Chartered Accountants Ireland (“the Institute”) is a membership body representing over 33,000 professional accountants in over 90 countries throughout the globe. Our role is to educate, represent and support our members, to promote high professional and ethical standards in the accounting profession, and actions that protect the public interest. In addition, the Institute has various regulatory obligations under legislation in Ireland and the United Kingdom. We are a member of the International Federation of Accountants (IFAC), our members are regulated and required to comply with our Code of Ethics which adopts the Code of Ethics for Professional Accountants (the “Code”) developed by the International Ethics Standards Board for Accountants (IESBA).

Our response includes comments on aspects of the proposals on behalf of our members who work in practice and industry, and considering the IESBA request for general comments, this includes, amongst others, small and medium-sized entities (SMEs) and small and medium-sized practices (SMPs). Included in our response are perspectives from members working as sustainability assurance providers on ISAE 3000 and other assurance standard reports, sustainability reporting experts, and members with sustainability roles and responsibilities in businesses. As a Professional Accountancy Body with a regulatory oversight function, including audit supervision, our response also includes considerations from an enforcement perspective.

Níall Fitzgerald FCA, Head of Ethics and Governance (niall.fitzgerald@charteredaccountants.ie) at Chartered Accountants Ireland, may be contacted if any further details in relation to any points made in this submission are required.

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.

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:

1. 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.
2. 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.

We hope the IESBA find our feedback helpful, and if you have any questions or would like to discuss any of the points we have raised, please do not hesitate to contact me.

Sincerely,



Níall Fitzgerald FCA
Head of Ethics and Governance

[Appendix I – Response to request for specific comments](#)

Glossary

1 – Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions?

- 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 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.
- 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.
- 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.

- 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.

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?

- 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.
- 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.
- 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.

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?

- 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 those threats or reduce them to an acceptable level.
- 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.

- 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.
- 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.
- 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.
- 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.
- We have further concerns on the application of these requirements in the context of the Code's requirements for evaluating CCO for audit and other assurance engagements. These are outlined further in our response to question 4 below.

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?

The proposed requirements (390.8 to 390.11 and 5390.8 to 5390.11) regarding the CCO evaluation present some significant challenges:

- 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).
- 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.
- 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.
- 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.

- 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.
- 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.

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?

In general, we support the provisions, but we highlight the following for the IESBA to consider:

- 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).
- 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.

Regarding Other Matters:

- It would be useful to include examples and guidance in relation to threats presented from using the work of multiple external experts.
- 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.

Comments on other matters addressed in the Exposure Draft

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.
- 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.