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Sent electronically through the IESBA Website (www.ethicsboard.org)

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Program and Senior Director
International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017
The United States of America

Dear Sir,

The IESBA Exposure Draft on Using the Work of an External Expert

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory body in Hong Kong that sets auditing and assurance standards, ethical standards, financial reporting standards as well as sustainability disclosure standards in Hong Kong. We welcome the opportunity to provide our comments on the captioned IESBA Exposure Draft (ED). The HKICPA appreciates the IESBA's work in this area, the time and effort in organizing global webinars on the ED and explaining the proposed new requirements. During the local consultation on the ED, the HKICPA has reached out to its members, sustainability assurance practitioners (professional accountants and non-professional accountants), small and medium practices, preparers of sustainability reports, regulators and other stakeholders.

Overall, we support the IESBA's approach to addressing the evaluation of an external expert's competency, capabilities and objectivities (CCO evaluation) by creating new requirements in Sections 290 and 390 in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) and new Section 5390 in the proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (ED-IESSA). These proposed new Sections 290, 390 and 5390 establish an ethical framework to guide professional accountants (PAs) in public practice and in business, and sustainability assurance practitioners (SAPs), respectively, in the CCO evaluation for the PAs or SAPs to use the expert's work for the intended purposes.

We agree with the IESBA's perspective on the matter in paragraph 5390.12 of the ED-IESSA, which states that utilizing the work of an external expert who has not successfully passed the CCO evaluation is prohibited. Moreover, we share IESBA's viewpoint that the limited availability of experts in the sustainability market poses challenges during implementation.

We believe that the concern regarding the limited availability of experts in the sustainability market can only be resolved gradually as the market capacity adjusts to meet the demand. Therefore, we support the IESBA's proposed approach outlined in paragraph 71 of the Explanatory Memorandum, which entails developing appropriate transitional provisions when finalizing the provisions related to the CCO evaluation. These transitional provisions would



help facilitate a smooth transition and mitigate any immediate challenges arising from the scarcity of sustainability experts.

Furthermore, the proposed requirements in paragraph 390.12 of the Code and paragraph 5390.12 of the ED-IESSA would have a far reaching impact given that the extant International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert* issued by the International Auditing and Assurance Standards Board (IAASB) does not have a similar requirement. Though ISA 620.9 requires the auditor to evaluate whether the auditor's expert has the necessary CCO for the auditor's purpose, it is not explicit on whether the auditor can use the work of an auditor's expert if that expert does not satisfactorily pass the CCO evaluation. Therefore, if the proposed requirements are finalized as currently drafted, we would suggest that the IESBA co-ordinate with the IAASB to consider the impact on ISA 620 and the finalization of the proposed International Standard on Sustainability Assurance 5000, *General Requirements for Sustainability Assurance Engagements*, as well as any subsequent sustainability or other assurance standard on the use of expert e.g. whether the same requirements for CCO apply to both reasonable and limited assurance engagements.

We trust that our comments are of assistance to you. If you have any questions regarding the matters raised above, please contact Selene Ho, Deputy Director of the Standard Setting Department (selene@hki CPA.org.hk).

Yours faithfully,

Cecilia Kwei
Director, Standard Setting Department