

3 May 2024

Mr Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants (IESBA)  
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New York, New York 10017 USA

By email: [kensiong@ethicsboard.org](mailto:kensiong@ethicsboard.org)

Dear Mr Siong,

**IESBA's Exposure Draft *Proposed Revisions to the Code Relating to Using the Work of an External Expert*.**

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the IESBA's Exposure Draft *Proposed Revisions to the Code Relating to Using the Work of an External Expert*. (the Exposure Draft).

APESB is governed by an independent board of directors whose primary objective is to develop and issue, in the public interest, high-quality professional and ethical pronouncements. These pronouncements apply to the membership of the three major Australian professional accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants). In Australia, APESB issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and a range of professional and ethical standards that address non-assurance services.

**Overall comments**

APESB supports the IESBA's project to revise the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) to clarify the professional and ethical requirements when using the work of an external expert.

APESB is of the view that the proposed revisions will enhance the credibility of professional activities performed by professional accountants and sustainability assurance practitioners, which involve the use of external experts. However, we believe some refinements to requirements and additional guidance on key matters would assist professional accountants and sustainability assurance practitioners in clarifying how to implement the proposals in practice.

In developing APESB's response to the Exposure Draft, we have considered a local submission made to the APESB on this exposure draft and Australian stakeholders' feedback from a roundtable event conducted by APESB on 26 March 2024. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies and accounting firms.

APESB's key recommendations are noted below. In addition, Appendix A provides APESB's responses to the IESBA's specific and general questions.

## **Recommendations**

APESB's key recommendations in relation to the Exposure Draft for the IESBA's consideration are:

- Consider revisions to the proposed definition of 'external expert' to remove duplication of the reference to being outside the field performed by the professional accountant or sustainability assurance practitioner.
- Reconsider maintaining alignment with the definition of expertise in ISA 620 *Using the Work of an Auditor's Expert* by including a reference to experience in the same definition in the Code.
- Incorporate guidance from the Explanatory Memorandum on the timing of the Competence, Capability and Objectivity (CCO) evaluation of the external expert into the body of the Code.
- Reframe the requirements for obtaining information from external experts about their objectivity to set out a principles-based approach with the list of information related to objectivity being set out as application material.
- Include examples of situations where using multiple external experts might create additional threats or impact the level of threats.
- Consider more pragmatic solutions for SMPs to be able to take action to address threats to the fundamental principles when using external experts.

## **Concluding comments**

We trust you find these comments helpful in your final deliberations. If you require additional information, please get in touch with APESB's Principal, Ms. Jacinta Hanrahan, at [jacinta.hanrahan@apesb.org.au](mailto:jacinta.hanrahan@apesb.org.au).

Yours sincerely



Nancy Milne OAM  
**Chairman**

## APPENDIX A

### APESB's Specific Comments

APESB's responses to the request for specific comments by the IESBA on the proposals in the Using the Work of an External Expert Exposure Draft (the Exposure Draft) are as follows:

#### *Glossary*

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

APESB agrees with the proposals to revise the definition of 'external expert' and to include a new definition of 'experts.' We support the new definition of 'Experts' clarifying expertise as being outside of the professional accountant's or sustainability assurance practitioner's competence.

In relation to the revised definition of an external expert, the inclusion of the newly defined term expert and the retention of the phrase *'possessing expertise in a field other than assurance'* within the external expert definition in the context of audit and assurance engagements creates a duplication.

We acknowledge that the phrase would have been retained to align with the International Auditing and Assurance Standards and provide an example of how this applies in those contexts. However, APESB would encourage the IESBA to consider whether it is more appropriate, in light of the duplication this creates, to change the paragraphs in the context of audit and assurance engagements to explanation paragraphs (i.e., should be in italics). Such an approach would be consistent with the drafting approach undertaken for the definition of Engagement Team, which clarifies how the definition is to be applied in different parts of the Code.

APESB agrees that the Code should include a definition of expertise. However, we are concerned about the definition proposed in the Exposure Draft. We are of the view that experience is an important element of gaining expertise. The proposed definition could be read as implying that theoretical knowledge and skills would be sufficient to have expertise.

However, the ability to practically apply the knowledge and skills is only gained through experience. We also note that excluding the term 'experience' will create a difference with the definition of 'Expertise' in ISA 620 *Using the Work of an Auditor's Expert* (ISA 620).

Australian stakeholders also raised this issue at the APESB roundtable, believing the definition should remain aligned with ISA 620. As such, APESB believes the definition of 'expertise' should include a reference to experience.

#### ***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.**

APESB supports the approach regarding evaluating an external expert's competence, capabilities, and objectivity. However, APESB notes that the proposed provisions do not provide any guidance on the timing of the CCO evaluation of the external expert. While this

is included in the Explanatory Memorandum (paragraphs 65 to 66), APESB is of the view that this guidance should be included in the body of the Code.

Some stakeholders at the APESB roundtable were concerned about the statement in paragraph 66 of the Explanatory Memorandum that the CCO could be undertaken simultaneously while the external expert commences work.

Stakeholders were of the view that the CCO evaluation should be undertaken in conjunction with the process of agreeing to the terms of engagement with the external expert, as simply requiring the provision of information for the CCO evaluation by the external expert does not guarantee the external expert will be considered objective. Stakeholders were concerned about the consequences, such as unnecessary costs or time delay, due to the external expert subsequently being evaluated as not being competent, capable or objective.

APESB has set out specific concerns relating to the approach for evaluating CCO for Audit or Other Assurance Engagements in question 4 below.

- 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.**

APESB agrees that if an external expert is not competent, capable or objective, then the external expert's work cannot be used by the professional accountant or sustainability assurance practitioner.

#### ***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).**

APESB agrees that evaluating an external expert's objectivity is an appropriate mechanism to ensure the public interest is upheld when external experts are used for audit or other assurance engagements. However, we do have some concerns about whether the provisions are more prescriptive than a principles-based approach and the proposed time frame for the external expert to be objective.

Paragraph 10 of the Explanatory Memorandum for the Exposure Draft states that the provisions in the Exposure Draft have been developed using a principles-based approach. However, APESB is concerned that the list of specific information that must be used to evaluate the objectivity of an external expert (proposed paragraphs R390.8 and R5390.8) may create practical implementation challenges with the need to identify "any" such occurrence. Some occurrences might have a limited impact.

APESB agrees that the Professional Accountant in Public Practice or the Sustainability Assurance Practitioner should be required to obtain information from the external expert about interests, relationships or circumstances that may impact their objectivity. However, it would be preferable for the list of information that is being requested to be included as application material rather than as a mandatory requirement in all circumstances.

An Australian stakeholder has raised a concern about mandating objectivity for the external expert up to the date the audit/assurance report is signed (i.e., the end of the engagement period) due to the logistical and practical challenges this presents. Delays could arise in finalising the assurance report and financial report if the external expert is either unavailable or slow to respond to requests to reconfirm their objectivity status.

The stakeholder was of the view that, in the same way, that an auditor does not have to maintain independence after they have completed an audit engagement, the expert's objectivity could be assessed at the time they were engaged and up to the date of the external expert's report. This ensures their objectivity is considered when the work is being performed and when the external expert provides their report, which is relied upon by the professional accountant or sustainability assurance practitioner.

### ***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).**

APESB supports the provisions in the Exposure Draft relating to applying the conceptual framework when using the work of an external expert. However, proposed paragraphs R290.13, R390.18, and R5390.18 could be enhanced by providing guidance on examples of how using the work of multiple external experts might create additional threats or impact the level of threats to compliance with the fundamental principles.

Potential examples include cases where the experts provide conflicting or divergent opinions or where an external expert exerts pressure on another expert to accept their conclusions or findings.

### ***Considerations relevant to Professional Accountants in Business***

Regarding the proposed provisions relating to agreeing on the terms of engagement with an external expert, APESB accepts that it is important to establish the terms of engagement. However, when considering this requirement for professional accountants in business (proposed paragraph R290.5), APESB is concerned that some professional accountants may not have the authority to enter into the terms of engagement for their employing organisation.

Depending on their role at the employing organisation, professional accountants in business can influence what is included in the terms of engagement, but they will only sometimes be able to agree on the terms of engagement with the expert. APESB encourages the IESBA to consider whether this provision should be guidance rather than setting a requirement that most professional accountants in business will not be able to comply with.

Section 290 also includes guidance on communicating with management and those charged with governance when using the work of an external expert (proposed paragraph 290.15 A1). Depending on the established delegated authorities within the employing organisation, it is likely that management would already be aware of the engagement of the external expert.

Accordingly, APESB is of the view that the paragraph should focus on communication with those charged with governance only, and the words 'management, and where appropriate,' should be removed from the proposed paragraph.

## **APESB's General Comments**

APESB's general comments on the Exposure Draft for the IESBA's consideration are as follows:

### **a) *Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)***

APESB notes that due to resource constraints or reduced access to internal expertise within SMPs, professional accountants in such firms may rely on the work of experts across a range of professional services. SMPs may find it challenging to address threats to the fundamental principles based on the identified actions in proposed paragraphs 390.16 A2 and 5390.16 A2. Two of the three proposed actions in this paragraph are likely to incur additional costs to implement (e.g., consulting with qualified personnel and reperforming work by another external expert), which may be prohibitive for SMPs.

APESB encourages the IESBA to include additional examples of safeguards to provide pragmatic solutions for SMPs.

### **b) *Regulators and Audit Oversight Bodies***

No specific concerns regarding the proposed revisions regarding regulators and audit oversight bodies have been brought to the APESB's attention.

### **c) *Sustainability Assurance Practitioners Other than Professional Accountants***

APESB is not aware of any specific concerns about the proposals in the Exposure Draft from sustainability Assurance Practitioners other than Professional Accountants.

### **d) *Developing Nations***

Not applicable.

### **e) *Translations***

Not applicable.

## **Minor Editorial Comment**

APESB notes in paragraph R290.7 that the word 'the' needs to be included before 'work of the external expert' to be consistent with paragraphs R390.12 and R5390.12.