

## AGENDA PAPER

**Item Number:** 9  
**Date of Meeting:** 6 March 2025  
**Subject:** Proposed revisions to APES 110 for the Use of External Experts

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**Action Required**     **For Discussion**     **For Noting**     **For Information**

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### Purpose

To seek the Board's approval, subject to the Board's feedback and review comments, to issue the Exposure Draft *Proposed Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert*.

### Background

In December 2022, the International Ethical Standards Board for Accountants (IESBA) approved a [project proposal](#) on the Use of Experts. The project aimed to address the ethics and independence considerations when experts work alongside professional accountants in business and in public practice for (a) the preparation of financial and non-financial information, (b) audit, sustainability and other assurance engagements, and (c) the provision of professional services other than audit and assurance services. The Use of Experts project was an integral component of a broader IESBA project on sustainability-related ethical standards.

In late March and early April 2023, the IESBA held four global roundtables in Paris, Sydney, Singapore and New York to obtain stakeholder input to inform the development of new ethics and independence standards for the Sustainability and Experts projects. The Sydney roundtable on 30 March was hosted by APESB and held at CA ANZ's offices (noted in [Agenda item 8](#) of BM 119 (May 2023)).

In January 2024, the IESBA released the [exposure draft](#) *Using the Work of an External Expert*, with a comment period that closed on April 30, 2024. The Exposure Draft proposed an ethical framework to guide professional accountants or sustainability assurance practitioners, as applicable, in evaluating whether an external expert has the necessary competence, capabilities and objectivity in order to use that expert's work for the intended purposes.

In APESB's [submission](#) to the IESBA's Exposure Draft, APESB supported the IESBA's project and were of the view that the proposed revisions would enhance the credibility of professional activities performed by professional accountants and sustainability assurance practitioners, which involve the use of external experts. However, APESB suggested 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 January 2025, the IESBA issued the final pronouncement [Revisions to the Code Addressing Using the Work of an External Expert](#). The pronouncement will be effective for periods beginning on or after 15 December 2026. Early adoption is permitted and encouraged.

To support the final Use of an External Expert pronouncement, the IESBA have also issued a [Basis for Conclusions](#), a [Factsheet](#) and a [Technical Overview](#).

## **Matters for Consideration**

To maintain alignment with the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code), APESB Technical Staff propose to issue an Exposure Draft for revisions to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) to incorporate the Using the Work of an External Expert.

### Proposed revisions to APES 110 based on the International Revisions

The proposed key amendments in the Exposure Draft are summarised below:

- New Sections 290, 390 and 5390, which establish an ethical framework to guide Members in Business, Members in Public Practice and Sustainability Assurance Practitioners (SAPs) in evaluating whether an External Expert has the necessary competence, capabilities and objectivity (CCO) for the Member or SAP to use the expert's work for the intended purposes. The new sections set out:
  - new requirements to guide a Member's evaluation of whether an External Expert has the necessary CCO, including the need to re-evaluate the External Expert's CCO when facts and circumstances change and the need to conclude on the evaluation;
  - a new prohibition on using the work of an External Expert if it is determined that the expert does not have the necessary CCO, or if the Member or SAP is unable to make such a determination;
  - additional requirements focused on evaluating an External Expert's objectivity in an audit, review or other assurance engagement, including gathering information from the External Expert about additional objectivity considerations (e.g., interests, relationships and circumstances based on certain independence attributes); and
  - specific guidance regarding identifying, evaluating and addressing the potential threats to compliance with the fundamental principles when a Member is using the work of an External Expert;
- new definitions of "expert" and "expertise," and a revised definition of "External Expert"; and
- Consequential and conforming amendments to the extant Code.

The new Sections 290, 390 and 5390 complement the proposed revisions in the proposed Exposure draft *Proposed Australian Ethics Standards for Sustainability Assurance (including Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* (ED 01/25). This Exposure draft should be considered in conjunction with the proposals in ED 01/25.

## Australian specific considerations

In preparing the proposed exposure draft, Technical Staff considered whether Australian provisions were required for the proposed revisions to APES 110. The following matters have been considered:

### (a) Contingent fees charged by or received by the External Expert

Proposed paragraphs 390.8 A2, R390.14, 5390.8 A2 and R5390.14 in the exposure draft refer to situations where the External Expert charges a contingent fee or is receiving a contingent fee. The extant APES 110 contains a prohibition (paragraph AUST R330.4.1) on a Member receiving a contingent fee or entering into a contingent fee arrangement in specific engagement circumstances.

Technical Staff are of the view that this prohibition is relevant for Members when considering contingent fee arrangements for External Experts. As such, Technical staff propose to include footnotes to paragraphs 390.8 A2, R390.14, 5390.8 A2 and R5390.14, which refer to the extant Australian prohibition in paragraph AUST R330.4.1.

### (b) Loans, guarantees and other relationships of the External Expert

Technical Staff have also considered whether the new requirement provisions which ask for information from the External Expert about loans, guarantees and holding Director or Officer positions for audit clients (e.g., proposed paragraphs R390.12 – 390.17A3 and R5390.12 – 5390.17A3) should include footnotes which refer to Independence requirements in the *Corporations Act 2001*. The footnotes could replicate the footnotes included in extant sections in APES 110 relating to loans, guarantees and relationships with the audit clients (e.g. Sections 510 – 524).

Technical Staff noted the following:

- the definition of engagement team in the APES 110 specifically excludes external experts;
- the requirements in the *Corporations Act 2001* apply to the auditor or firm and are aimed at independence; and
- the new external experts sections in the Code focus on CCO and not on Independence.

Therefore, APESB Technical Staff are of the view that the *Corporations Act 2001* Independence requirements should not be listed as a reference when considering the involvement of an external expert. The Sustainability Taskforce was consulted on this matter, and the Taskforce agreed with the position presented by Technical Staff.

(c) Effective date

The effective date for *Using the Work of an External Expert* in the International Code is as follows:<sup>1</sup>

The provisions of Part 2 will be effective as of December 15, 2026.

The provisions in Part 3 will be effective for:

- Audit engagements, review engagements, and other assurance engagements outside the scope of Part 5 for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.
- Other professional services as of December 15, 2026.

The provisions in Part 5 will be effective for sustainability assurance engagements on sustainability information for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.

Early adoption is permitted and encouraged.

In addition, the IESBA's Basis for Conclusions to *Using the Work of an External Expert* includes the following comments:<sup>2</sup>

133. The effective date of the provisions addressing Using the Work of an External Expert is aligned with that for the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and ethics standards for sustainability reporting, given that Section 5390 is an integral part of the IESSA.

134. Any engagement with an external expert for which the work has already commenced under the extant provisions of the Code and which precedes the effective date of the provisions would continue under the extant Code. The IESBA does not believe that any transitional provision is necessary as the proposed effective date of the provisions (December 15, 2026) would allow for a two-year implementation period.

135. Recognising the public interest objective, which is to underpin public trust and confidence when the work of an external expert is used, the IESBA determined that a transitional provision to allow the use of the work of an external expert who does not have the necessary CCO in order to accommodate emerging fields or areas would be contrary to the public interest.

In Australia, mandatory sustainability reporting for Group 1 entities commenced on 1 January 2025.<sup>3</sup>

In January 2025, the Auditing and Assurance Standards Board (AUASB) released the Australian Standard on Sustainability Assurance ASSA 5000: *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) with an effective date of 1 January 2025. As an interim measure until the APESB finalise the *Australian Ethics Standards for Sustainability Assurance (including Independence Standards)* (AESSA), the AUASB has defined the Code, being the relevant ethical requirements that apply, as Parts 1 – 3 of APES 110 and Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)*.

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<sup>1</sup> [Using the Work of an External Expert - Final Pronouncement 1.pdf](#) (accessed 19 February 2025)

<sup>2</sup> [Using the Work of an External Expert - Basis for Conclusions.pdf](#) (accessed 19 February 2025)

<sup>3</sup> [Federal Register of Legislation - Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Act 2024](#) (accessed 19 February 2025)

As noted in Agenda Item 8, it is imperative for APESB to release the standard promptly to ensure alignment with the Australian Auditing Standards. Therefore, Technical Staff propose that:

- For sustainability assurance engagements, the effective date is 1 January 2026, subject to the inclusion of transition provisions (covered in part (d) below). The proposed effective date is consistent with the proposed effective date for the proposed Australian Ethics Standards for Sustainability Assurance (including Independence Standards) (AESSA);
- For all other engagements and professional activities, the effective date is 1 January 2027 (which aligns with the International Standard's effective date).

Early adoption will be permitted.

The Sustainability Taskforce considered the proposed effective date for the draft ED and were also supportive of the effective date being 1 January 2026 for sustainability assurance engagements, subject to the inclusion of transitional provisions.

(d) Transitional provisions for Sustainability Assurance Engagements

The Sustainability Taskforce raised concerns about the effective date of ASSA 5000 and its impact on the adoption of the Using the Work of an External Expert provisions.

ASSA 5000 is effective for reporting periods starting on or after 1 January 2025, with earlier adoption permitted. As outlined in part (c) above, the relevant ethical requirements to be applied from that date are Parts 1 -3 of APES 110 and Part 5 of the IESSA. As the IESSA includes placeholders for the External Experts provisions, these provisions are deemed to be included in the IESSA. The effect of this is that, for sustainability assurance engagements within the scope of ASSA 5000, the requirements of *Using the Work of External Experts* are applicable from 1 January 2025.

This creates a practical challenge for Members in Australia, as under the requirements, they would need to have assessed the CCO of External Experts, if they are currently engaged, at the start of the reporting period (e.g., 1 January 2025). However, they were not aware of the requirement at that date, as both ASSA 5000 and the International External Experts provisions were not released until mid-to-late January 2025.

Given the timing of the release of *Using the Work of External Experts* and the related proposed AESSA requirements, Technical Staff propose implementing transitional relief, which aims to balance the need to ensure that external experts possess the relevant CCO for engagements with the recognition that Australia's legislative environment is more advanced in requiring mandatory reporting and assurance for sustainability information than the international context in which *Using the Work of External Experts* and the related proposed AESSA requirements were developed.

For periods before 1 January 2025

To address engagements with external experts that are likely to already be in progress on 1 January 2025, Technical Staff propose to include the following optional transition relief in the ED:

For [External Expert](#) engagements that a [Firm](#) or [Network Firm](#) has entered into for a [Sustainability Assurance Client](#) before 1 January 2025 and for which work has already commenced, the [Firm](#) or [Network Firm](#) may continue such engagements under the extant provisions of the [Code](#) in accordance with the original engagement terms for no more than one reporting cycle.

#### For periods between 1 January 2025 and 31 December 2026

Technical Staff are of the view that further optional relief should be provided to assist SAPs with the implementation of the new provisions, if they require it. In terms of the format of the relief, the SAP would be able to either:

- Continue using the extant provisions of the Code for periods ending on or before 31 December 2026 (similar to the relief provided for periods before 1 January 2025); or
- For engagements captured under paragraph 5400.3b of the Code, the SAP could apply paragraphs R5390.12 – 5390.13 A2 when requesting information from the External Expert.

The proposed External Expert provisions incorporate a distinction between the information requested from external experts working on assurance engagements for Public Interest Entity (PIE) clients (paragraph R5390.14) and other clients (paragraphs R5390.12 – 5390.13 A2).

In summary, paragraph R5390.14 requires the SAP to request further information from the external expert than the requirements of paragraphs R5390.12 – 5390.13 A2 for non-PIE clients to assist in evaluating the objectivity of an external expert whose work is used in a sustainability or other assurance engagement for the same sustainability assurance client.

The proposed transitional relief, therefore, allows the application of the requirements for non-PIE clients to the SAP's PIE clients during the transitional period.

Accordingly, Technical Staff propose to include the following transitional provisions in the ED, which can be applied for periods between 1 January 2025 and 31 December 2026:

For [External Expert](#) engagements that a [Firm](#) or [Network Firm](#) has entered into for a [Sustainability Assurance Client](#) for a period ending on or before 31 December 2026, the [Firm](#) or [Network Firm](#) may undertake such engagements under the extant provisions of the [Code](#).

For [Sustainability Assurance Engagements](#) that are within the scope of paragraph 5400.3b of the [Code](#), the [Firm's Sustainability Assurance Practitioner](#) may apply paragraphs R5390.12 to 5390.13 A2 for [Sustainability Assurance Engagements](#) on [Sustainability Information](#) for a period ending on or before 31 December 2026, or as at a specific date on or before 31 December 2026.

The use of the transitional provisions is optional, and SAPs, Firms and Network Firms might be able to apply the External Experts provisions as set out in the Amending Standard.

### For periods from 1 January 2027

Technical Staff are of the view that transitional relief should not be provided for periods beginning on or after 1 January 2027 as then it is within the global adoption period for the IESBA Standard.

### Transparency requirement if transitional relief is used

To ensure transparency on the use of the optional transitional relief provisions, Technical Staff are of the view that the use of the provisions must be disclosed. Accordingly, the following paragraph will be included in the proposed transitional provisions:

Where the relief allowed by a transitional provision is used, the Firm or Network Firm shall disclose to Those Charged with Governance of the sustainability Assurance Client the use of the provision for the relevant External Expert(s).

Technical Staff have circulated the proposed transitional relief provisions to the Sustainability Taskforce for their feedback and comments. At the March 2025 meeting, the board will receive a verbal update on any matters raised by the Taskforce.

Technical Staff have also included a request for specific comments in ED 02/25 seeking stakeholders' views on the proposed transitional provisions.

The proposed Exposure Draft *Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert* is presented in marked up from the extant Code at Agenda Item 9(a).

Technical Staff recommend that the Exposure Draft be released for a 45-day public comment period. Based on this timeframe, the review of the outcome of the Exposure Draft due process will be presented to the Board at the June 2025 Board Meeting.

### **Staff Recommendation**

That the Board approve, subject to the Board's feedback and review comments, the release of the proposed Exposure Draft *Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert*.

### **Materials presented**

Agenda Item 9(a)      Draft ED Revisions to APES 110 addressing Using the Work of an External Expert (marked-up)

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**Date:**                    25 February 2025