

Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert

EXPOSURE DRAFT 02/25

ISSUED March 2025

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Commenting on this Exposure Draft

This Exposure Draft, *Proposed Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 15 May 2025.**

Comments should be addressed to:

Chief Executive Officer
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne VIC 3000
Australia

E-mail: sub@apesb.org.au

APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

APESB also invites comments regarding these proposed amendments from small and medium-sized firms.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above. While APESB prefers formal submissions, we also encourage opinions and comments to be sent via email to sub@apesb.org.au.

Request for Specific Comments

APESB is seeking respondents' specific comments and feedback on whether they support the proposed transitional relief provisions in ED 02/25 and whether the provisions appropriately address any practical challenges that may arise during the implementation of the new External Experts requirements.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au

Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne VIC 3000
Australia

E-mail: enquiries@apesb.org.au
Phone: (03) 9670 8911
Fax: (03) 9670 5611

Reasons for issuing Exposure Draft 02/25

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to amend APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to incorporate changes made by the International Ethics Standards Board for Accountants (IESBA) to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code).

The revisions strengthen the Code in guiding professional accountants in both business and public practice when using the work of an External Expert. The provisions outline key considerations related to the use of all experts, whether they are employed or externally engaged (i.e., hired) by an organisation or firm. The revisions are an integral component of a broader IESBA project on sustainability-related ethical standards.

Key requirements and guidance in Exposure Draft 02/25

This Exposure Draft sets out the proposed amendments to the extant version of the Code. The key proposals include:

- New Sections 390, 290 and 5390, which establish an ethical framework to guide Members in Business, Members in Public Practice and Sustainability Assurance Practitioners (SAP) 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 circumstances (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.

Stakeholders should not rely on this summary in the Exposure Draft to determine what changes, if any, are required to their current practices, policies or methodologies. Stakeholders should read the entire Exposure Draft to determine the significance of its proposals.

A marked-up version of ED 02/25 compared to the extant provisions in the Code can be found on APESB's website at: www.apesb.org.au.

For further details in relation to the proposed amendments in this Exposure Draft, refer to the IESBA's Basis for Conclusions available on the IESBA's website: www.ethicsboard.org.

Proposed Operative Date

It is proposed that the proposed revisions will be effective for sustainability assurance engagements commencing on or after 1 January 2026, and for all other engagements and professional activities from 1 January 2027. Transitional relief is proposed in specific circumstances as outlined below and in the Transitional Provisions section on page 70. Early adoption of the revised Standard will be permitted.

Transitional provisions for Sustainability Assurance Engagements

APESB are proposing to include transitional relief provisions to address the practical challenges in implementing the new provisions for Using the Work of an External Expert caused by Australia's Climate legislation, which has led to mandatory sustainability reporting for Group 1 entities from 1 January 2025. To facilitate assurance for these entities, the Standard on Sustainability Assurance ASSA 5000: *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) was issued by the Auditing and Assurance Standards Board (AUASB).

ASSA 5000 is effective for reporting periods starting on or after 1 January 2025, with earlier adoption permitted. The relevant ethical requirements mandated in ASSA 5000 is the Code, however, this is defined as Parts 1 to 3 of the Code and Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* (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 28 January 2025 and 17 January 2025, respectively.

Therefore, APESB propose implementing transitional relief, which aims to balance the need to ensure that external experts possess the relevant CCO for sustainability assurance 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 IESSA requirements were developed.

The optional transitional relief for sustainability assurance engagements is available in two tranches:

- For engagements with external experts entered into before 1 January 2025 and for which work has already commenced, the engagement can continue to be performed using the extant provisions of the Code in accordance with the original engagement terms for no more than one reporting period;
- For periods between 1 January 2025 and 31 December 2026, the relief allows:
 - the use of the extant provisions of the Code for engagements with external experts for periods ending on or before 31 December 2026; and
 - for engagements within the scope of paragraph 5400.3b, the application of the requirements for non-PIE audit clients (in paragraphs R5390.12 to 5390.13 A2) to PIE clients for periods ending on or before 31 December 2026.

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

If the optional transitional provisions are used, a transparency requirement requires that the use of the provisions must be disclosed.

No transitional relief is provided for periods beginning on or after 1 January 2027 as then it is within the global adoption period for the IESBA standard.

Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert

XXX 2025

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CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS)

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SCOPE AND APPLICATION

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (**this Code**). This [Code](#) is operative from 1 January 2020 and supersedes APES 110 *Code of Ethics for Professional Accountants* (issued in December 2010 and subsequently amended in December 2011, May 2013, November 2013, May 2017 and April 2018). Earlier adoption of this [Code](#) is permitted. Transitional provisions relating to [Key Audit Partner](#) rotation, revisions to Part 4B, the role and mindset expected of [Members](#) provisions, the objectivity of [Engagement Quality Reviewers](#) and other appropriate reviewers, the fee-related provisions, the quality management-related conforming amendments, the non-assurance services provisions, the revisions to the definition of [Engagement Team](#) and [Group Audit](#), the definitions of listed entity, [Publicly Traded Entity](#) and [Public Interest Entity](#), technology-related revisions, ~~and~~ tax planning and related services revisions, [revisions for sustainability assurance and reporting, and using the work of an External Expert](#) apply as specified in the respective transitional provisions on page 70.

[Paragraphs R1.2 to 1.8 of the extant Code's Scope and Application remain unchanged.]

GLOSSARY

Engagement Team¹

All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding [External Experts](#).

In Part 3, the term "Engagement Team" refers to individuals performing procedures on assurance or non-assurance engagements.

In Part 4A, the term "Engagement Team" refers to individuals performing audit or review procedures on the [Audit](#) or [Review Engagement](#), respectively. This term is further described in paragraph 400.9.

ASA 220 [Quality Management for an Audit of a Financial Report and Other Historical Financial Information \(Compiled 2023\)](#) provides further guidance on the definition of Engagement Team in the context of an audit of [Financial Statements](#).

ASA 620 [Using the Work of an Auditor's Expert \(Compiled 2022\)](#) defines an auditor's [eExpert](#) as an individual or organisation possessing [eExpertise](#) in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. ASA 620 deals with the auditor's responsibilities relating to the work of such [eExperts](#).

ASA 610 [Using the Work of Internal Auditors \(Compiled 2022\)](#) deals with the auditor's responsibilities if using the work of internal auditors.

In Part 4B, the term "Engagement Team" refers to individuals performing assurance procedures on the [Assurance Engagement](#).

¹ The definition of [Engagement Team](#) in APES 110 has been amended from the International equivalent to remove the reference to individuals within the client's internal audit function who perform procedures on an [Audit Engagement](#) as the AUASB has prohibited the use of direct assistance in [Auditing and Assurance Standard ASA 610 Using the Work of Internal Auditors \(Compiled\) \(April 2022\)](#) and [ASSA 5000 General Requirements for Sustainability Assurance Engagements \(January 2025\)](#).

Expert

An individual possessing expertise that is outside the Member's or Sustainability Assurance Practitioner's competence. Where appropriate, the term also refers to the individual's organisation.

Expertise

Skills, knowledge and experience in a particular field.

External Expert

An Expert engaged by a Member, Member's employing organisation or Firm, or by a Sustainability Assurance Practitioner.

In the context of Audit Engagements, An Expert individual (who is not a partner or a member of the professional staff, including temporary staff, of the Firm or a Network Firm) ~~or organisation~~ possessing Expertise skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the Member in obtaining sufficient appropriate audit evidence.

In the context of other assurance engagements, including Sustainability Assurance Engagements, An Expert individual (who is not an Engagement Leader, a partner or a member of the professional staff, including temporary staff, of the Firm or a Network Firm) ~~or organisation~~ possessing Expertise skills, knowledge and experience in a field other than assurance accounting or auditing, whose work in that field is used to assist the Member or Sustainability Assurance Practitioner in obtaining sufficient appropriate evidence.

In the context of Audit and other assurance engagements, External Experts are not members of the Engagement Team, Audit Team, Review Team, Assurance Team, or Sustainability Assurance Team.

Sections 290, 390 and 5390 set out the requirements and application material addressing the use of the work of an External Expert.

PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

SECTION 100

COMPLYING WITH THE CODE

Introduction

[Paragraph 100.1 of extant Section 100 remains unchanged.]

100.2 Confidence in the accountancy profession is a reason why businesses, governments and other organisations involve **Members** in a broad range of areas, including financial and corporate reporting, assurance and other **Professional Activities**. **Members** understand and acknowledge that such confidence is based on the skills and values that **Members** bring to the **Professional Activities** they undertake, including:

- (a) Adherence to ethical principles and professional standards;
- (b) Use of business acumen;
- (c) Application of **eExpertise** on technical and other matters; and
- (d) Exercise of professional judgement.

The application of these skills and values enables **Members** to provide advice or other output that meets the purpose for which it was provided, and which can be relied upon by the intended users of such output.

[Paragraphs 100.3 to 100.4 of extant Section 100 remain unchanged.]

Requirements and Application Material

[Paragraphs 100.5 A1 to 100.8 A1 of extant Section 100 remain unchanged.]

SECTION 120

THE CONCEPTUAL FRAMEWORK

Introduction

[Paragraphs 120.1 to 120.2 of extant Section 120 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R120.3 to R120.5 of extant Section 120 remain unchanged.]

Having an Inquiring Mind

[Paragraphs 120.5 A1 to 120.5 A3 of extant Section 120 remain unchanged.]

Exercising Professional Judgement

[Paragraph 120.5 A4 of extant Section 120 remains unchanged.]

120.5 A5 Professional judgement is required when the **Member** applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the **Member** might consider matters such as whether:

- The **Member's** ~~eExpertise and experience are~~ **is** sufficient to reach a conclusion.
- There is a need to consult with others with relevant ~~eExpertise or experience~~.
- The **Member's** own preconception or bias might be affecting the **Member's** exercise of professional judgement.

[Paragraphs 120.5 A6 to 120.5 A7 of extant Section 120 remain unchanged.]

120.5 A8 Managing complexity might also involve:

- Analysing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.
- Using technology to analyse relevant data to inform the **Member's** judgement.
- Consulting with others, including ~~eExperts~~, to ensure appropriate challenge and additional input as part of the evaluation process.

[Paragraph R120.5 A9 of extant Section 120 remains unchanged.]

Identifying Threats

[Paragraphs R120.6 to 120.6 A4 of extant Section 120 remain unchanged.]

Evaluating Threats

[Paragraphs R120.7 to 120.9 A2 of extant Section 120 remain unchanged.]

Addressing Threats

[Paragraphs R120.10 to R120.11 of extant Section 120 remain unchanged.]

Other Considerations when Applying the Conceptual Framework

[Paragraphs 120.12 A1 to AUST 120.12 A2 of extant Section 120 remain unchanged.]

120.12 A3 Actions that might mitigate the effect of bias include:

- Seeking advice from [eExperts](#) to obtain additional input.
- Consulting with others to ensure appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

[Paragraphs 120.13 A1 to 120.16 A2 of extant Section 120 remain unchanged.]

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PART 2 – MEMBERS IN BUSINESS (INCLUDING EMPLOYMENT RELATIONSHIPS OF MEMBERS IN PUBLIC PRACTICE)

SECTION 200

APPLYING THE CONCEPTUAL FRAMEWORK – MEMBERS IN BUSINESS

Introduction

[Paragraphs 200.1 to 200.4 of extant Section 200 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R200.5 to 200.5 A3 of extant Section 200 remain unchanged.]

Identifying Threats

[Paragraph 200.6 A1 of extant Section 200 remains unchanged.]

Identifying Threats Associated with the Use of Technology

200.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a **Member** when undertaking a **Professional Activity**:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The **Member** might not have sufficient information and **eExpertise**, or access to an **eExpert** with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

(Ref: Para. 230.2).

- Self-review Threats
 - The technology was designed or developed using the knowledge, **eExpertise** or judgement of the **Member** or employing organisation.

[Paragraphs 200.7 A1 to 200.10 A1 of extant Section 200 remain unchanged.]

SECTION 220

PREPARATION AND PRESENTATION OF INFORMATION

Introduction

[Paragraphs 220.1 to 220.2 of extant Section 220 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 220.3 A1 to 220.4 A1 of extant Section 220 remain unchanged.]

Use of Discretion in Preparing or Presenting Information

[Paragraphs R220.5 to 220.6 A2 of extant Section 220 remain unchanged.]

Using the Work of Others

R220.7 A **Member** who intends to use the work of others, (whether internal or external to the employing organisation), or other organisations, **other than External Experts**, shall exercise professional judgement to determine the appropriate steps to take, if any, in order to fulfil the responsibilities set out in paragraph R220.4.

220.7 A1 When a Member intends to use the work of an **External Expert**, the requirements and application material set out in Section 290 apply.

220.7 A2 Factors to consider when a **Member** intends to use the work of others include:

- The reputation and **eExpertise** of, and resources available to, the other individual or organisation.
- Whether the other individual is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the other individual or organisation.

Using the Output of Technology

[Paragraph R220.8 of extant Section 220 remains unchanged.]

220.8 A1 Factors to consider when a **Member** intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the **Member** has the ability, or has access to an **eExpert** with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.

- The employing organisation's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorising user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

[Paragraphs R220.9 to 220.12 A4 of extant Section 220 remain unchanged.]

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SECTION 230

ACTING WITH SUFFICIENT EXPERTISE

Introduction

[Paragraph 230.1 of extant Section 230 remains unchanged.]

230.2 Acting without sufficient **eExpertise** creates a self-interest threat to compliance with the principle of professional competence and due care. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

R230.3 A **Member** shall not intentionally mislead an employing organisation as to the level of **eExpertise-or-experience** possessed.

[Paragraphs 230.3 A1 to 230.3 A3 of extant Section 230 remain unchanged.]

230.3 A4 Examples of actions that might be safeguards to address such a self-interest threat include:

- Obtaining assistance or training from someone with the necessary **eExpertise**.
- Ensuring that there is adequate time available for performing the relevant duties.

[Paragraph R230.4 to 230.5 A1 of extant Section 230 remains unchanged.]

SECTION 270

PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

Introduction

[Paragraphs 270.1 to 270.2 of extant Section 270 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R270.3 to 270.3 A1 of extant Section 270 remain unchanged.]

270.3 A2 Examples of pressure that might result in threats to compliance with the fundamental principles include:

- Pressure related to conflicts of interest:
 - Pressure from a family member bidding to act as a vendor to the **Member's** employing organisation to select the family member over another prospective vendor.

See also Section 210, *Conflicts of Interest*.

- Pressure to influence preparation or presentation of information:
 - Pressure to report misleading financial results to meet investor, analyst or lender expectations.
 - Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
 - Pressure from colleagues to misstate income, expenditure or rates of return to bias decision making on capital projects and acquisitions.
 - Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
 - Pressure to suppress internal audit reports containing adverse findings.

See also Section 220, *Preparation and Presentation of Information*.

- Pressure to act without sufficient **eExpertise** or due care:
 - Pressure from superiors to inappropriately reduce the extent of work performed.
 - Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

See also Section 230, *Acting with Sufficient Expertise*.

- Pressure related to **Financial Interests**:
 - Pressure from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements to manipulate performance indicators.

See also Section 240, *Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making*.

- Pressure related to **Inducements**:
 - Pressure from others, either internal or external to the employing organisation, to offer **Inducements** to influence inappropriately the judgement or decision making process of an individual or organisation.
 - Pressure from colleagues to accept a bribe or other **Inducement**, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

See also Section 250, *Inducements, Including Gifts and Hospitality*.

- Pressure related to non-compliance with laws and regulations (“NOCLAR”):

- Pressure to structure a transaction to evade tax.

See also Section 260, *Responding to Non-compliance with Laws and Regulations*.

- Pressure related to level of fees:

- Pressure exerted by a **Member** on another **Member** to provide **Professional Services** at a fee level that does not allow for sufficient and appropriate resources (including human, technological and intellectual resources) to perform the services in accordance with technical and professional standards.

See also Section 330, *Fees and Other Types of Remuneration*.

[Paragraphs R270.3 A3 to 270.4 A1 of extant Section 270 remain unchanged.]

SECTION 280

TAX PLANNING ACTIVITIES

Introduction

[Paragraphs 280.1 to 280.3 of extant Section 280 remain unchanged.]

Requirements and Application Material

General

Members' Public Interest Role in Relation to Tax Planning Activities

280.4 A1 **Members** play an important role in tax planning by contributing their ~~eExpertise and experience~~ to assist employing organisations in meeting their tax planning goals while complying with tax laws and regulations. In doing so, **Members** help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest.

280.4 A2 Employing organisations are entitled to organise their affairs for tax planning purposes. While there are a variety of ways to achieve such purposes, employing organisations have a responsibility to pay taxes as determined by the relevant tax laws and regulations. In this regard, **Members'** role is to use their ~~eExpertise and experience~~ to assist their employing organisations in achieving their tax planning goals and meeting their tax obligations. However, when **Members** provide such assistance, it might involve certain tax minimisation arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the fundamental principles.

[Paragraph 280.4 A3 of extant Section 280 remains unchanged.]

Description of Tax Planning Activities

[Paragraphs 280.5 A1 to 280.5 A4 of extant Section 280 remain unchanged.]

Related Activities

[Paragraphs 280.6 A1 to 280.6 A2 of extant Section 280 remain unchanged.]

Compliance with Laws and Regulations

[Paragraph 280.7 A1 of extant Section 280 remains unchanged.]

Anti-avoidance Laws and Regulations

[Paragraph R280.8 of extant Section 280 remains unchanged.]

Non-compliance with Tax Laws and Regulations

[Paragraph 280.8 A1 of extant Section 280 remains unchanged.]

Responsibilities of Management and Those Charged with Governance of the Employing Organisation

[Paragraphs 280.9 A1 of extant Section 280 remains unchanged.]

Responsibilities of All Members

[Paragraphs R280.10 to 280.11 A1 of extant Section 280 remain unchanged.]

Basis for Recommending or Otherwise Advising on a Tax Planning Arrangement

[Paragraphs R280.12 to R280.13 of extant Section 280 remain unchanged.]

Consideration of the Overall Tax Planning Recommendation or Advice

[Paragraphs R280.14 to R280.15 of extant Section 280 remain unchanged.]

Tax Planning Arrangements Involving Multiple Jurisdictions

[Paragraphs 280.16 A1 to 280.16 A2 of extant Section 280 remain unchanged.]

Circumstances of Uncertainty

[Paragraphs 280.17 A1 to 280.18 A1 of extant Section 280 remain unchanged.]

Potential Threats Arising from Performing a Tax Planning Activity

[Paragraph 280.19 A1 of extant Section 280 remains unchanged.]

280.19 A2 Factors that are relevant in evaluating the level of such threats include:

- The degree of transparency regarding the underlying business transaction or circumstances, including, where applicable, the identity of the ultimate beneficiaries.
- Whether the tax planning arrangement has a clear economic purpose and substance based on the underlying business transaction or circumstances.
- The nature and complexity of the underlying business transaction or circumstances.
- The complexity or clarity of the relevant tax laws and regulations.
- Whether the **Member** knows, or has reason to believe, that the tax planning arrangement would be contrary to the intent of the relevant tax legislation.
- The number of jurisdictions involved and the nature of their tax regimes.
- The extent of the **Member's** ~~e~~**Expertise and experience** in the relevant tax areas.
- The significance of the potential tax savings.
- The nature and significance of any incentives offered to the **Member** to develop the arrangement.
- The extent to which the **Member** is aware that the tax planning arrangement reflects an established practice that has not been challenged by the relevant tax authorities.
- Whether there is pressure being exerted on the **Member**.
- The degree of urgency in implementing the tax planning arrangement.
- Whether it is a tax planning arrangement used for multiple clients with little modification for the employing organisation's specific circumstances.
- The organisational culture of the employing organisation.

[Paragraphs 280.19 A3 to 280.23 A2 of extant Section 280 remain unchanged.]

SECTION 290

USING THE WORK OF AN EXTERNAL EXPERT

Introduction

290.1 Members are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

290.2 A Member might use the work of an **External Expert** in the performance of a **Professional Activity** for their employing organisation. Using the work of such an **External Expert** might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.

290.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an **External Expert**.

Requirements and Application Material

General

290.4 A1 A self-interest threat to compliance with the principles of integrity and professional competence and due care is created if a Member performs a **Professional Activity** for which the Member has insufficient Expertise.

290.4 A2 An action that might be a safeguard to address such a threat is to use the work of an **External Expert** for the **Professional Activity** who has the competence, capabilities and objectivity to deliver the work needed for such activity.

290.4 A3 An **External Expert** might be used to undertake specific work to support a **Professional Activity** performed by a Member. Such work can be in a field that is well-established or emerging. Examples of such work include:

- The valuation of assets such as complex financial instruments, land and buildings, plant and machinery, jewellery, works of art, antiques, intangible assets, assets acquired in business combinations, and assets that may have been impaired.
- The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, environmental liabilities, complex financial instruments, site clean-up liabilities, and those associated with insurance contracts or employee benefit plans.
- The calculation of greenhouse gas emissions.
- The measurement of pollutants emitted to air, water and soil.
- The assessment of forward-looking information about the decarbonisation plans of an entity.
- The assessment of the application of offsetting mechanisms for an entity, such as for carbon or biodiversity.

- The valuation of products and materials designed along principles for a sustainable economy.
- The estimation of oil and gas reserves.
- The interpretation of contracts, laws and regulations, including tax and labour laws and regulations.
- The assessment and evaluation of IT systems, including those related to cybersecurity.

290.4 A4 This section does not apply to:

- (a) The use of the work of individuals or organisations that are engaged by the Member and are under the Member's direction, supervision and review, for example, subcontractors; and
- (b) The use of information provided by individuals or organisations that are external information sources for general use. Examples of those information sources include those that provide industry or other benchmarking data or studies, such as information about employment statistics including hours worked and compensation per week by geographical area, real estate prices, carbon emissions by vehicle type, mortality tables, or other datasets for general use.

Agreeing the Terms of Engagement with an External Expert

R290.5 If the Member has determined to use an External Expert for a Professional Activity and, having regard to the employing organisation's policies and procedures, has identified an External Expert for such purpose, the Member shall agree the terms of engagement with the External Expert, including the nature, scope and objectives of the work to be performed by the External Expert.

290.5 A1 In agreeing the terms of engagement, matters that the Member might discuss with the External Expert include:

- The intended use and timing of the External Expert's work.
- The External Expert's planned approach to the work.
- Expectations regarding:
 - The confidentiality of the External Expert's work and the inputs to that work.
 - The information to be provided by the External Expert and the nature of such information.
 - The content and format of the External Expert's completed work, including any assumptions made and limitations to that work.
 - The fees for the External Expert's work.
 - The External Expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the Member's employing organisation, or by Those Charged with Governance, management or others working for or under the direction of the employing organisation, of which the External Expert becomes aware when performing the work.

290.5 A2 A self-interest, self-review, familiarity or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a Member uses an External Expert who does not have the necessary competence, capabilities or objectivity to deliver the work needed for the particular Professional Activity.

Evaluating the External Expert's Competence, Capabilities, and Objectivity

R290.6 **The Member shall evaluate whether the External Expert has the necessary competence for the Member's purpose.**

290.6 A1 Competence relates to the nature and level of expertise of the External Expert.

290.6 A2 Factors that are relevant in evaluating whether the External Expert has the necessary competence include:

- Whether the External Expert's credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed.
- Whether the External Expert belongs to a relevant professional body or is subject to oversight by a regulatory body or other authority, and, if so, whether the External Expert is in good standing.
- Whether any disciplinary actions have been published by a regulatory body or other authority relating to the External Expert's competence.
- Whether the External Expert's work is subject to legal and regulatory requirements or professional standards issued by a recognised body, or follows generally accepted principles or practices in the External Expert's field or area of expertise.
- Whether the External Expert can explain their work, including the inputs, assumptions and methodologies used.
- Whether the External Expert has a history of performing similar work.

R290.7 **The Member shall evaluate whether the External Expert has the necessary capabilities for the Member's purpose.**

290.7 A1 Capabilities relates to the ability of the External Expert to exercise their competence in the circumstances of the Professional Activity.

290.7 A2 Factors that are relevant in evaluating whether the External Expert has the necessary capabilities include:

- The resources available to the External Expert.
- Whether the External Expert has sufficient time to perform the work.

R290.8 **The Member shall evaluate whether the External Expert has the necessary objectivity for the Member's purpose.**

290.8 A1 Objectivity relates to the possible effects that bias, conflict of interest, or the undue influence of, or undue reliance on, others might have on the professional or business judgement of the External Expert.

290.8 A2 Factors that are relevant in identifying threats to the objectivity of the External Expert for the period during which the External Expert is performing the work include:

- Whether the External Expert or their employing organisation has an actual or potential conflict of interest or other interests in relation to the work the External Expert is performing at the entity.
- Whether the Member is aware of any potential bias that might affect the External Expert's work.
- Whether the External Expert is charging a contingent fee, and if so, the basis for such fee.
- Whether the External Expert will evaluate or rely on any previous judgements made or activities performed by the External Expert or their employing organisation in relation to the subject matter of the External Expert's work.

290.8 A3 The External Expert's employing organisation is the entity that directly employs the expert, regardless of the legal form of the employment, and does not extend to other entities that might control, or are otherwise related to, the employing organisation.

290.8 A4 Other interests that might impact the level of threat to an External Expert's objectivity include significant Financial Interests such as those arising from compensation, fees or incentive arrangements linked to financial and non-financial information and decision-making.

290.8 A5 Examples of previous judgements made or activities performed by an External Expert or their employing organisation that might create a self-review threat to the External Expert's objectivity include:

- Having advised the entity on the matter for which the External Expert is performing the work.
- Having produced data or other information, or having designed, developed, implemented, operated, maintained, monitored, updated or upgraded an IT system, for the entity which is then used by the External Expert in performing the work or is the subject of that work.

290.8 A6 Factors that are relevant in evaluating the level of such threats to the External Expert's objectivity include:

- The existence of conditions, policies and procedures established by the External Expert's profession, legislation, regulation, or the External Expert's employing organisation, including whether the External Expert is subject to ethics standards issued by a body responsible for issuing such standards in the External Expert's field of expertise.
- The nature and scope of the External Expert's work.
- The existence and adequacy of any quality management system employed by the External Expert.

290.8 A7 Examples of actions that might be safeguards to address threats to an External Expert's objectivity include:

- Consulting with qualified personnel, or a professional outside the Member's employing organisation, who have the necessary expertise to evaluate the External Expert's work for the intended purpose.

- Requesting the **External Expert** to take steps to address a conflict of interest, for example, implementing measures to segregate the work from such conflict of interest.
- Restructuring or reassigning the part of the **External Expert**'s work giving rise to the threat to another **External Expert**.

Sources of Information

290.9 A1 Information about the **External Expert**'s competence, capabilities and objectivity might be obtained from various sources, including:

- Personal association or experience with previous work undertaken by the **External Expert**.
- Inquiry of others within or outside the Member's employing organisation who are familiar with the **External Expert**'s work.
- Discussion with the **External Expert** about their background, including their field of expertise and business activities.
- Inquiry of the **External Expert**'s professional body or industry association.
- Articles, papers or books written by the **External Expert** and published by a recognised publisher or in a recognised journal or other medium.
- Published records, such as legal proceedings involving the **External Expert**.
- Inquiry of management of the Member's employing organisation and, if different, the entity at which the **External Expert** is performing the work regarding any interests and relationships between the **External Expert** and the employing organisation or the entity.
- The internal controls, policies and procedures of the Member's employing organisation.

Additional Considerations when Evaluating Competence, Capabilities and Objectivity

290.10 A1 Evaluating whether an **External Expert** has the necessary competence, capabilities and objectivity for the Member's purpose involves exercising professional judgement and using the reasonable and informed third party test.

290.10 A2 A Member might face pressure to breach the fundamental principles if the Member encounters difficulties in concluding, or is unable to conclude, that the **External Expert** has the necessary competence, capabilities and objectivity for the Member's purpose when the **External Expert** has already performed a significant portion of their work. In such circumstances, Section 270 is relevant in considering how to address such pressure.

Consideration of New Information or Changes in Facts or Circumstances

R290.11 The Member shall re-evaluate whether the **External Expert has the necessary competence, capabilities and objectivity for the Member's purpose when new information or changes in facts and circumstances arise.**

Concluding on the External Expert's Competence, Capabilities and Objectivity

R290.12 The Member in Business shall not use the work of the External Expert if the Member:

- (a) Is unable to determine whether the External Expert has the necessary competence or capabilities, or is objective;
- (b) Determines that the External Expert does not have the necessary competence or capabilities for the Member's purpose; or
- (c) Determines that there are threats to the External Expert's objectivity that cannot be eliminated or reduced to an acceptable level.

290.12 A1 If a Member uses the work of such External Expert, this creates threats to the Member's compliance with the principles of integrity, objectivity and professional competence and due care that cannot be eliminated or reduced to an Acceptable Level by the application of safeguards.

Potential Threats Arising from Using the Work of an External Expert

290.13 A1 Threats to compliance with the fundamental principles might still be created from using the work of an External Expert even if a Member has satisfactorily concluded that the External Expert has the necessary competence, capabilities and objectivity for the Member's purpose.

Identifying Threats

290.14 A1 Examples of facts and circumstances that might create threats to a Member's compliance with the fundamental principles when using an External Expert's work include:

- (a) Self-interest threats
 - A Member has insufficient expertise to understand and explain the External Expert's conclusions and findings.
 - A Member has undue influence from, or undue reliance on, the External Expert or multiple External Experts when performing a Professional Activity.
 - A Member has insufficient time or resources to evaluate the External Expert's work.
- (b) Self-review threats
 - A Member uses the work of an External Expert who relies on previous judgements made by the Member and provided to the External Expert for the purposes of their work.
- (c) Advocacy threats
 - A Member promotes the use of an External Expert who has known bias towards conclusions potentially advantaging or disadvantaging the Member's employing organisation.
- (d) Familiarity threats
 - A Member has a close personal relationship with the External Expert.

(e) Intimidation threats

- A Member feels pressure to defer to the **External Expert's** opinion due to the **External Expert's** perceived authority.
- A Member feels pressure to use the work of a particular **External Expert** in order to meet internal or external targets and expectations.

Evaluating Threats

290.15 A1 Factors that are relevant in evaluating the level of such threats include:

- The scope and purpose of the **External Expert's** work.
- The impact of the **External Expert's** work on the Member's activity.
- The nature of the **Professional Activity** for which the **External Expert's** work is intended to be used.
- The Member's oversight relating to the use of the **External Expert** and the **External Expert's** work.
- The appropriateness of, and transparency over, the data, assumptions and other inputs and methods used by the **External Expert**.
- The Member's ability to understand and explain the **External Expert's** work and its appropriateness for the intended purpose.
- Whether the **External Expert's** work is subject to technical performance standards or other professional or industry generally accepted practices, or law or regulation.
- Whether the **External Expert's** work, if it were to be performed by two or more parties, is not likely to be materially different.
- The consistency of the **External Expert's** work, including the **External Expert's** conclusions or findings, with other information.
- The availability of other evidence, including peer-reviewed academic research, to support the **External Expert's** approach.
- Whether there is pressure being exerted by the Member's employing organisation to accept the **External Expert's** conclusions or findings due to the time or cost spent by the **External Expert** in performing the work.

Addressing Threats

290.16 A1 An example of an action that might eliminate a familiarity threat is identifying a different **External Expert** to use.

290.16 A2 Examples of actions that might be safeguards to address threats include:

- Consulting with qualified personnel, or a professional outside the Member's employing organisation, who have the necessary expertise to evaluate the **External Expert's** work, obtaining additional input, or challenging the appropriateness of the **External Expert's** work for the intended purpose.
- Using another **External Expert** to reperform the **External Expert's** work.
- Agreeing with management of the Member's employing organisation additional time or resources to complete the activity.

Other Matters

External Experts in Emerging Fields or Areas

290.17 A1 Expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop. Emerging fields might also involve multiple areas of expertise. There might therefore be limited availability of External Experts in emerging fields or areas.

290.17 A2 Information relating to some of the factors relevant to evaluating the competence of an External Expert in paragraph 290.6 A2 might not be available in an emerging field or area. For example, there might not be public recognition of the External Expert, professional standards might not have been developed, or professional bodies might not have been established in the emerging field. In such circumstances, a factor that might assist the Member in evaluating an External Expert's competence is the External Expert's experience in a similar field to the emerging field, or in an established field, that provides a reasonable basis for the External Expert's work in the emerging field.

Communicating with Management and Those Charged with Governance When Using the Work of an External Expert

290.18 A1 Where appropriate, the Member is encouraged to communicate with management and Those Charged with Governance:

- The purpose of using an External Expert and the scope of the External Expert's work.
- The respective roles and responsibilities of the Member and the External Expert in the performance of the Professional Activity.
- Any threats to the Member's compliance with the fundamental principles created by using the External Expert's work and how they have been addressed.

Documentation

290.19 A1 The Member is encouraged to document:

- The steps taken by the Member to evaluate the External Expert's competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the Member in using the External Expert's work and the actions taken to address the threats.
- The results of any significant discussions with the External Expert.

PART 3 – MEMBERS IN PUBLIC PRACTICE

SECTION 300

APPLYING THE CONCEPTUAL FRAMEWORK – MEMBERS IN PUBLIC PRACTICE

Introduction

[Paragraphs 300.1 to 300.3 of extant Section 300 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R300.4 to 300.5 A2 of extant Section 300 remain unchanged.]

Identifying Threats

300.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a [Member in Public Practice](#) when undertaking a [Professional Service](#):

(a) Self-interest Threats:

- A [Member](#) having a [Direct Financial Interest](#) in a client.
- A [Member](#) quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the [Professional Service](#) in accordance with applicable technical and professional standards for that price.
- A [Member](#) having a close business relationship with a client.
- A [Member](#) having access to [Confidential Information](#) that might be used for personal gain.
- A [Member](#) discovering a significant error when evaluating the results of a previous [Professional Service](#) performed by a member of the [Member's Firm](#).

(b) Self-review Threats:

- A [Member](#) issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.
- A [Member](#) having prepared the original data used to generate records that are the subject matter of the [Assurance Engagement](#).

(c) Advocacy Threats:

- A [Member](#) promoting the interests of, or shares in, a client.
- A [Member](#) acting as an advocate on behalf of a client in litigation or disputes with third parties.
- A [Member](#) lobbying in favour of legislation on behalf of a client.

- (d) Familiarity Threats:
- A **Member** having a **Close** or **Immediate Family** member who is a **Director** or **Officer** of the client.
 - A **Director** or **Officer** of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the **Engagement Partner**.
 - An **Audit Team** member having a long association with the **Audit Client**.
 - An individual who is being considered to serve as an appropriate reviewer, as a safeguard to address a threat, having a close relationship with an individual who performed the work.
- (e) Intimidation Threats:
- A **Member** being threatened with dismissal from a client engagement or the **Firm** because of a disagreement about a professional matter.
 - A **Member** feeling pressured to agree with the judgement of a client because the client has more **eExpertise** on the matter in question.
 - A **Member** being informed that a planned promotion will not occur unless the **Member** agrees with an inappropriate accounting treatment.
 - A **Member** having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.

Identifying Threats Associated with the Use of Technology

300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a **Member in Public Practice** when undertaking a **Professional Activity**:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The **Member** might not have sufficient information and **eExpertise**, or access to an **eExpert** with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.(Ref: Para. 230.2).
- Self-review Threats
 - The technology was designed or developed using the knowledge, **eExpertise** or judgement of the **Member** or the **Firm**.

[Paragraphs 300.7 A1 to 300.10 A1 of extant Section 300 remain unchanged.]

SECTION 320

PROFESSIONAL APPOINTMENTS

Introduction

[Paragraphs 320.1 to AUST 320.2.1 of extant Section 320 remain unchanged.]

Requirements and Application Material

Client and Engagement Acceptance

General

[Paragraphs 320.3 A1 to 320.3 A5 of extant Section 320 remain unchanged.]

Changes in a Professional Appointment

General

[Paragraphs R320.4 to 320.4 A4 of extant Section 320 remain unchanged.]

Communicating with the Existing or Predecessor Accountant

[Paragraphs 320.5 A1 to R320.6 of extant Section 320 remain unchanged.]

Communicating with the Proposed Accountant

[Paragraphs R320.7 to 320.7 A2 of extant Section 320 remain unchanged.]

Changes in Audit or Review Appointments

[Paragraph R320.8 of extant Section 320 remain unchanged.]

Client and Engagement Continuance

[Paragraphs R320.9 to 320.9 A1 of extant Section 320 remain unchanged.]

Using the Work of an Expert

R320.10 When a **Member in Public Practice** intends to use the work of an **eExpert** in the course of undertaking a **Professional Activity**, the **Member** shall determine whether the use is appropriate for the intended purpose.

[320.10 A1](#) [For the purposes of this section, the work of an External Expert is excluded. When a Member in Public Practice intends to use the work of an External Expert, the requirements and application material set out in Section 390 apply.](#)

320.10 A²⁴ Factors to consider when a **Member in Public Practice** intends to use the work of an **eExpert** include:

- The reputation and **eExpertise** of, and the resources available to, the **eExpert**.
- Whether the **eExpert** is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the [eExpert](#).

Using the Output of Technology

[Paragraph R320.11 of extant Section 320 remains unchanged.]

320.11 A1 Factors to consider when a [Member in Public Practice](#) intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the [Member](#) has the ability, or access to an [eExpert](#) with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The [Firm's](#) oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures authorising user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

Other Considerations

320.12 A1 When a [Member in Public Practice](#) is considering using the work of [eExperts](#) or the output of technology, a consideration is whether the [Member](#) is in a position within the [Firm](#) to obtain information in relation to the factors necessary to determine whether such use is appropriate.

SECTION 330

FEES AND OTHER TYPES OF REMUNERATION

Introduction

[Paragraphs 330.1 to 330.2 of extant Section 330 remain unchanged.]

Requirements and Application Material

Level of Fees

[Paragraphs 330.3 A1 to 330.3 A4 of extant Section 330 remain unchanged.]

Contingent Fees

[Paragraphs 330.4 A1 to 330.4 A4 of extant Section 330 remain unchanged.]

Referral Fees or Commissions

330.5 A1 A self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a [Member in Public Practice](#) pays or receives a referral fee or receives a commission relating to a client. Such referral fees or commissions include, for example:

- A fee paid to another [Member in Public Practice](#) for the purposes of obtaining new client work when the client continues as a client of the [Existing Accountant](#) but requires specialist services not offered by that accountant.
- A fee received for referring a continuing client to another [Member in Public Practice](#) or other [eExpert](#) where the [Existing Accountant](#) does not provide the specific [Professional Service](#) required by the client.
- A commission received from a third party (for example, a software vendor) in connection with the sale of goods or services to a client.

[Paragraphs 330.5 A2 to 330.6 A1 of extant Section 330 remain unchanged.]

SECTION 380

TAX PLANNING SERVICES

Introduction

[Paragraphs 380.1 to 380.3 of extant Section 380 remain unchanged.]

Requirements and Application Material

General

Members in Public Practices' Public Interest Role in Relation to Tax Planning Services

380.4 A1 **Members in Public Practice** play an important role in tax planning by contributing their **eExpertise and experience** to assist clients in meeting their tax planning goals while complying with tax laws and regulations. In doing so, **Members** help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest.

380.4 A2 Clients are entitled to organise their affairs for tax planning purposes. While there are a variety of ways to achieve such purposes, clients have a responsibility to pay taxes as determined by the relevant tax laws and regulations. In this regard, **Members in Public Practice's** role is to use their **eExpertise and experience** to assist their clients in achieving their tax planning goals and meeting their tax obligations. However, when **Members** provide such assistance, it might involve certain tax minimisation arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the fundamental principles.

[Paragraph 380.4 A3 of extant Section 380 remains unchanged.]

Description of Tax Planning Services

[Paragraphs 380.5 A1 to 380.5 A4 of extant Section 380 remain unchanged.]

Related Services

[Paragraphs 380.6 A1 to 380.6 A2 of extant Section 380 remain unchanged.]

Compliance with Laws and Regulations

[Paragraph 380.7 A1 of extant Section 380 remains unchanged.]

Anti-avoidance Laws and Regulations

[Paragraph R380.8 of extant Section 380 remains unchanged.]

Non-compliance with Tax Laws and Regulations

[Paragraph 380.8 A1 of extant Section 380 remains unchanged.]

Responsibilities of Management and Those Charged with Governance

[Paragraph 380.9 A1 of extant Section 380 remains unchanged.]

Responsibilities of All Members in Public Practice

[Paragraphs R380.10 to 380.11 A1 of extant Section 380 remain unchanged.]

Basis for Recommending or otherwise Advising on a Tax Planning Arrangement

[Paragraphs R380.12 to R380.13 of extant Section 380 remain unchanged.]

Consideration of the Overall Tax Planning Recommendation or Advice

[Paragraphs R380.14 to R380.15 of extant Section 380 remain unchanged.]

Tax Planning Arrangements Involving Multiple Jurisdictions

[Paragraphs 380.16 A1 to R380.16 A2 of extant Section 380 remain unchanged.]

Circumstances of Uncertainty

[Paragraphs 380.17 A1 to 380.18 A1 of extant Section 380 remain unchanged.]

Potential Threats Arising from Providing a Tax Planning Service

[Paragraph 380.19 A1 of extant Section 380 remains unchanged.]

380.19 A2 Factors that are relevant in evaluating the level of such threats include:

- The degree of transparency of the client, including, where applicable, the identity of the ultimate beneficiaries.
- Whether the tax planning arrangement has a clear economic purpose and substance based on the underlying business transaction or circumstances.
- The nature and complexity of the underlying business transaction or circumstances.
- The complexity or clarity of the relevant tax laws and regulations.
- Whether the **Member in Public Practice** knows, or has reason to believe, that the tax planning arrangement would be contrary to the intent of the relevant tax legislation.
- The number of jurisdictions involved and the nature of their tax regimes.
- The extent of the **Member in Public Practice's** ~~e~~**Expertise and experience** in the relevant tax areas.
- The significance of the potential tax savings.
- The nature and amount of the fee for the tax planning service.
- The extent to which the **Member in Public Practice** is aware that the tax planning arrangement reflects an established practice that has not been challenged by the relevant tax authorities.
- Whether there is pressure being exerted by the client or another party on the **Member in Public Practice**.
- The degree of urgency in implementing the tax planning arrangement.
- Whether it is a tax planning arrangement used for multiple clients with little modification for the client's specific circumstances.
- The known previous behaviour or reputation of the client, including its organisational culture.

380.19 A3 Examples of actions that might eliminate such threats include:

- Referring the client to an expert outside the Member in Public Practice's Firm who has the necessary ~~e~~Expertise and ~~experience~~ to advise the client on the tax planning arrangement.
- Advising the client to structure the tax planning arrangement so that it is consistent with an existing interpretation or ruling issued by the relevant tax authorities.
- Obtaining an advance ruling from the relevant tax or other authorities, where possible.
- Advising the client not to pursue the tax planning arrangement.

[Paragraphs 380.19 A4 to 380.26 A2 of extant Section 380 remain unchanged.]

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SECTION 390

USING THE WORK OF AN EXTERNAL EXPERT

Introduction

- 390.1 Members in Public Practice are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 390.2 A Member in Public Practice might use the work of an External Expert in the performance of a Professional Service. Using the work of such an External Expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.
- 390.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an External Expert. Section 5390 addresses using the work of an External Expert in Sustainability Assurance Engagements or other Professional Services provided to the same Sustainability Assurance Client. Other professional standards might address the competence, capabilities and objectivity of an External Expert as factors that significantly affect whether the work of the External Expert will be adequate for the Member in Public Practice's purposes.

Requirements and Application Material

General

- 390.4 A1 A self-interest threat to compliance with the principles of integrity and professional competence and due care is created if a Member in Public Practice performs a Professional Service for which the Member has insufficient expertise.
- 390.4 A2 An action that might be a safeguard to address such a threat is to use the work of an External Expert for the Professional Service who has the competence, capabilities and objectivity to deliver the work needed for such service.
- 390.4 A3 An External Expert might be used to undertake specific work to support a Professional Service provided by a Member in Public Practice. Such work can be in a field that is well-established or emerging. Examples of such work include:
- The valuation of assets such as complex financial instruments, land and buildings, plant and machinery, jewellery, works of art, antiques, intangible assets, assets acquired in business combinations, and assets that may have been impaired.
 - The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, environmental liabilities, complex financial instruments, site clean-up liabilities, and those associated with insurance contracts or employee benefit plans.
 - The calculation of greenhouse gas emissions.
 - The measurement of pollutants emitted to air, water and soil.
 - The assessment of forward-looking information about the decarbonisation plans of an entity.
 - The assessment of the application of offsetting mechanisms for an entity, such as for carbon or biodiversity.

- The valuation of products and materials designed along principles for a sustainable economy.
- The estimation of oil and gas reserves.
- The interpretation of contracts, laws and regulations, including tax and labour laws and regulations.
- The assessment and evaluation of IT systems, including those related to cybersecurity.

390.4 A4 This section does not apply to:

- The use of the work of an **Expert** employed or engaged by the client to assist the client in preparing the financial or non-financial information. Such work is deemed to be information provided by management;
- The use of the work of individuals or organisations that are engaged by the Member in Public Practice and are under the Member's direction, supervision and review, for example, subcontractors; and
- The use of information provided by individuals or organisations that are external information sources for general use. Examples of those information sources include those that provide industry or other benchmarking data or studies, such as information about employment statistics including hours worked and compensation per week by geographical area, real estate prices, carbon emissions by vehicle type, mortality tables, or other datasets for general use.

390.4 A5 This section does not address a Member in Public Practice's evaluation of the adequacy of an **External Expert's** work for purposes of a **Professional Service** undertaken by the Member, and the implications for the engagement if the Member determines that such work is not adequate. Such implications might be addressed in other professional standards.

Agreeing the Terms of Engagement with an **External Expert**

All Professional Services

R390.5 If the Member in Public Practice has determined to use an **External Expert** for a **Professional Service** and has identified an **External Expert** for such purpose, the Member shall, to the extent not otherwise addressed by law, regulation or other professional standards, agree the terms of engagement with the **External Expert**, including:

- The nature, scope and objectives of the work to be performed by the **External Expert**; and
- In the context of **Audit**, **Review** or other assurance engagements:
 - The provision of information in writing for purposes of assisting the Member's evaluation of the **External Expert's** objectivity; and
 - A commitment from the **External Expert** to communicate any changes to the information provided during the period covered by the audit, review or other assurance report through to the issuance of that report.

390.5 A1 In agreeing the terms of engagement, matters that the Member in Public Practice might discuss with the **External Expert** include:

- The intended use and timing of the **External Expert's** work.
- The **External Expert's** planned approach to the work.

- Expectations regarding:
 - The confidentiality of the **External Expert**'s work and the inputs to that work.
 - The information to be provided by the **External Expert** and the nature of such information.
 - The content and format of the **External Expert**'s completed work, including any assumptions made and limitations to that work.
 - The fees for the **External Expert**'s work.
 - The **External Expert**'s communication of any non-compliance or suspected non-compliance with laws and regulations committed by the client, or by **Those Charged with Governance**, management or others working for or under the direction of the client, of which the **External Expert** becomes aware when performing the work.

390.5 A2 A self-interest, self-review, familiarity or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a Member in Public Practice uses an **External Expert** who does not have the necessary competence, capabilities or objectivity to deliver the work needed for the particular **Professional Service**.

Evaluating the **External Expert**'s Competence, Capabilities, and Objectivity

All Professional Services

R390.6 The Member in Public Practice shall evaluate whether the **External Expert** has the necessary competence for the Member's purpose.

390.6 A1 Competence relates to the nature and level of expertise of the **External Expert**.

390.6 A2 Factors that are relevant in evaluating whether the **External Expert** has the necessary competence include:

- Whether the **External Expert**'s credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed.
- Whether the **External Expert** belongs to a relevant professional body or is subject to oversight by a regulatory body or other authority, and, if so, whether the **External Expert** is in good standing.
- Whether any disciplinary actions have been published by a regulatory body or other authority relating to the **External Expert**'s competence.
- Whether the **External Expert**'s work is subject to legal and regulatory requirements or professional standards issued by a recognised body, or follows generally accepted principles or practices in the **External Expert**'s field or area of expertise.
- Whether the **External Expert** can explain their work, including the inputs, assumptions and methodologies used.
- Whether the **External Expert** has a history of performing similar work.

R390.7 The Member in Public Practice shall evaluate whether the **External Expert** has the necessary capabilities for the Member's purpose.

390.7 A1 Capabilities relates to the ability of the **External Expert** to exercise their competence in the circumstances of the **Professional Service**.

390.7 A2 Factors that are relevant in evaluating whether the External Expert has the necessary capabilities include:

- The resources available to the External Expert.
- Whether the External Expert has sufficient time to perform the work.

R390.8 **The Member in Public Practice shall evaluate whether the External Expert has the necessary objectivity for the Member's purpose.**

390.8 A1 Objectivity relates to the possible effects that bias, conflict of interest, or the undue influence of, or undue reliance on, others might have on the professional or business judgement of the External Expert.

390.8 A2 Factors that are relevant in identifying threats to the objectivity of the External Expert for the period during which the External Expert is performing the work include:

- Whether the External Expert or their employing organisation has an actual or potential conflict of interest in relation to the work the External Expert is performing at the entity.
- Whether the Member in Public Practice is aware of any potential bias that might affect the External Expert's work.
- Whether the External Expert is charging a contingent fee, and if so, the basis for such fee.²
- Whether the External Expert will evaluate or rely on any previous judgements made or activities performed by the External Expert or their employing organisation in relation to the subject matter of the External Expert's work.

390.8 A3 The External Expert's employing organisation is the entity that directly employs the expert, regardless of the legal form of the employment, and does not extend to other entities that might control, or are otherwise related to, the employing organisation.

390.8 A4 Examples of previous judgements made or activities performed by an External Expert or their employing organisation that might create a self-review threat to the External Expert's objectivity include:

- Having advised the entity on the matter for which the External Expert is performing the work.
- Having produced data or other information, or having designed, developed, implemented, operated, maintained, monitored, updated or upgraded an IT system, for the entity which is then used by the External Expert in performing the work or is the subject of that work.

390.8 A5 Factors that are relevant in evaluating the level of such threats to the External Expert's objectivity include:

- The existence of conditions, policies and procedures established by the External Expert's profession, legislation, regulation, or the External Expert's employing organisation, including whether the External Expert is subject to ethics standards issued by a body responsible for issuing such standards in the External Expert's field of expertise.
- The nature and scope of the External Expert's work.

² Members in Public Practice are prohibited from receiving a Contingent Fee or entering into a Contingent Fee arrangement in specific engagement circumstances as outlined in paragraph AUST R330.4.1 of the Code.

- The existence and adequacy of any quality management system employed by the [External Expert](#).

390.8 A6 Examples of actions that might be safeguards to address threats to an [External Expert's](#) objectivity include:

- Consulting with qualified personnel, or a professional outside the Member in Public Practice's Firm, who have the necessary expertise to evaluate the [External Expert's](#) work for the intended purpose.
- Requesting the [External Expert](#) to take steps to address a conflict of interest, for example, implementing measures to segregate the work from such conflict of interest.
- Restructuring or reassigning the part of the [External Expert's](#) work giving rise to the threat to another [External Expert](#).

Sources of Information

390.9 A1 Information about the [External Expert's](#) competence, capabilities and objectivity might be obtained from various sources, including:

- Personal association or experience with previous work undertaken by the [External Expert](#).
- Inquiry of others within or outside the Member in Public Practice's Firm who are familiar with the [External Expert's](#) work.
- Discussion with the [External Expert](#) about their background, including their field of expertise and business activities.
- Inquiry of the [External Expert's](#) professional body or industry association.
- Articles, papers or books written by the [External Expert](#) and published by a recognised publisher or in a recognised journal or other medium.
- Published records, such as legal proceedings involving the [External Expert](#).
- Inquiry of the client and, if different, the entity at which the [External Expert](#) is performing the work regarding any interests and relationships between the [External Expert](#) and the client or the entity.
- The system of quality management of the Member in Public Practice's Firm.

Additional Considerations when Evaluating Competence, Capabilities and Objectivity

390.10 A1 Evaluating whether an [External Expert](#) has the necessary competence, capabilities and objectivity for the Member in Public Practice's purpose involves exercising professional judgement and using the reasonable and informed third party test.

390.10 A2 A Member in Public Practice might face pressure to breach the fundamental principles if the Member encounters difficulties in concluding, or is unable to conclude, that the [External Expert](#) has the necessary competence, capabilities and objectivity for the Member's purpose when the [External Expert](#) has already performed a significant portion of their work. In such circumstances, Section 270 is relevant in considering how to address such pressure.

Additional Objectivity Considerations for Audit Engagements, Review Engagements and Other Assurance Engagements Outside the Scope of Part 5

390.11 A1 Stakeholders have heightened expectations regarding the objectivity of an External Expert whose work is used in an Audit Engagement, Review Engagement or other assurance engagement outside the scope of Part 5. Therefore, paragraphs R390.12 to R390.19 set out further actions in evaluating the objectivity of an External Expert in such engagements, pursuant to paragraph R390.8.

Audit and Review Engagements for Clients that are Not Public Interest Entities and All Other Assurance Engagements Outside the Scope of Part 5

R390.12 The Member in Public Practice shall request the External Expert to provide in writing:

- (A) To the best of their knowledge and belief;
- (B) In relation to the entity at which the External Expert is performing the work; and
- (C) From the beginning of the period covered by the audit, review or other assurance report until the completion of the External Expert's work,
information about:
 - (a) Any Direct Financial Interest or material Indirect Financial Interest in the entity held by the External Expert, their Immediate Family, or the External Expert's employing organisation;
 - (b) Any actual or potential conflict of interest the External Expert, their Immediate Family or the External Expert's employing organisation might have in relation to the work the External Expert is performing at the entity; and
 - (c) Any previous or current engagements between the External Expert or their employing organisation and the entity.

R390.13 The Member in Public Practice shall also consider requesting the External Expert to provide in writing:

- (a) To the best of their knowledge and belief; and
- (b) From the beginning of the period covered by the audit, review or other assurance report until the completion of the External Expert's work,
information about any additional interests, relationships or circumstances between the External Expert, their Immediate Family or the External Expert's employing organisation and the entity at which the External Expert is performing the work.

390.13 A1 In addition to the interests, relationships or circumstances in paragraph R390.13, paragraph R390.14 sets out other interests, relationships or circumstances between the External Expert, their Immediate Family or the External Expert's employing organisation and the entity at which the External Expert is performing the work.

390.13 A2 Factors that are relevant in determining whether to request information about any additional interests, relationships or circumstances from the External Expert include:

- The scale of the External Expert's practice.
- The range of services offered by the External Expert.
- How long the External Expert has been practicing.
- The complexity of the External Expert's work.
- The impact of the External Expert's work on the Member in Public Practice's engagement.

For example, the larger the **External Expert's** practice, the broader its range of services, or the longer it has been practicing, the greater the possibility that there might be additional interests, relationships or circumstances between the **External Expert** or their employing organisation and the entity.

Audit and Review Engagements for Clients that are Public Interest Entities

R390.14 The Member in Public Practice shall request the **External Expert** to provide in writing:

- (A) To the best of their knowledge and belief;
- (B) In relation to the entity at which the **External Expert** is performing the work; and
- (C) From the beginning of the period covered by the audit or review report until the completion of the **External Expert's** work,
information about:
 - (a) Any **Direct Financial Interest** or material **Indirect Financial Interest** in the entity held by the **External Expert**, their **Immediate Family**, or the **External Expert's** employing organisation;
 - (b) Any loan, or guarantee of a loan, made to the entity by the **External Expert**, their **Immediate Family**, or the **External Expert's** employing organisation, other than where the loan or guarantee is immaterial to the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation, as applicable, and the entity;
 - (c) Any loan, or guarantee of a loan, accepted by the **External Expert**, their **Immediate Family**, or the **External Expert's** employing organisation from the entity if it is a bank or similar institution, other than where the loan or guarantee is made under normal lending procedures, terms and conditions;
 - (d) Any loan, or guarantee of a loan, accepted by the **External Expert**, their **Immediate Family**, or the **External Expert's** employing organisation from the entity if it is not a bank or similar institution, other than where the loan or guarantee is immaterial to the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation, as applicable, and the entity;
 - (e) Any close business relationship between the **External Expert**, their **Immediate Family**, or the **External Expert's** employing organisation and the entity or its management, other than where the **Financial Interest**, if any, is immaterial and the business relationship is insignificant to the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation, as applicable, and the entity or its management;
 - (f) Any previous or current engagements between the **External Expert** or their employing organisation and the entity;
 - (g) Any fee or **Contingent Fee**³ or dependency on fees or other types of remuneration due to or recently received by the **External Expert** or their employing organisation from the entity;
 - (h) Any gifts or other benefits accepted by the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation from the entity other than those that are trivial and inconsequential;
 - (i) Any actual or potential litigation between the **External Expert** or their employing organisation and the entity;

³ Members in Public Practice are prohibited from receiving a Contingent Fee or entering into a Contingent Fee arrangement in specific engagement circumstances as outlined in paragraph AUST R330.4.1 of the Code.

- (j) Any position currently or previously held by the External Expert as a director, officer or employee of the entity;
- (k) Any position currently or previously held by the External Expert's Immediate Family or by management of the External Expert's employing organisation as a Director or Officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information on which the Member will express an opinion or conclusion, or the records underlying such information;
- (l) Any previous public statements by the External Expert or their employing organisation which advocated for the entity;
- (m) The nature and extent of any interests and relationships between the controlling owners, if any, of the External Expert's employing organisation and the entity; and
- (n) Any actual or potential conflict of interest the External Expert, their Immediate Family or the External Expert's employing organisation might have in relation to the work the External Expert is performing at the entity; and
with respect to the length of the relationship of the External Expert and their employing organisation with the entity:
- (o) How long the association has been.

Considerations Relating to an External Expert's Team and Where the Client is Not the Entity at Which the External Expert is Performing the Work

All audit engagements, review engagements, and other assurance engagements outside the scope of Part 5

R390.15 Where the External Expert uses a team to carry out the work, the Member in Public Practice shall request the External Expert to have all members of the External Expert's team provide in writing the information set out in paragraphs R390.12 to R390.14, as applicable, in relation to the entity at which the External Expert is performing the work.

R390.16 Where the Member in Public Practice's client is not the entity at which the External Expert is performing the work, the Member shall also request the External Expert to provide in writing:

- (A) To the best of their knowledge and belief;
- (B) In relation to the client; and
- (C) From the beginning of the period covered by the audit, review or other assurance report until the completion of the External Expert's work,
information about:
 - (a) Any Direct Financial Interest or material Indirect Financial Interest in the client held by the External Expert, their Immediate Family, or the External Expert's employing organisation;
 - (b) Any actual or potential conflict of interest the External Expert, their Immediate Family or the External Expert's employing organisation might have with the client; and
 - (c) Any previous or current engagements between the External Expert or their employing organisation and the client.

R390.17 The Member in Public Practice shall also consider requesting the External Expert to provide in writing:

(a) To the best of their knowledge and belief; and

(b) From the beginning of the period covered by the audit, review or other assurance report until the completion of the External Expert's work,

information about any additional interests, relationships or circumstances between the External Expert, their Immediate Family or the External Expert's employing organisation and the client.

390.17 A1 In addition to the interests, relationships or circumstances in paragraph R390.17, paragraph R390.14 sets out other interests, relationships or circumstances between the External Expert, their Immediate Family or the External Expert's employing organisation and the client.

390.17 A2 Factors that are relevant in determining whether to request information about any additional interests, relationships or circumstances from the External Expert include:

- The scale of the External Expert's practice.
- The range of services offered by the External Expert.
- How long the External Expert has been practicing.
- Whether the client is a Public Interest Entity.
- The nature of the relationship between the client and the entity at which the External Expert is performing the work.
- The scale and complexity of the client's operations.
- The complexity of the External Expert's work.
- The impact of the External Expert's work on the Member in Public Practice's engagement.

For example, the larger the External Expert's practice, the broader its range of services, or the longer it has been practicing, the greater the possibility that there might be additional interests, relationships or circumstances between the External Expert or their employing organisation and the entity.

390.17 A3 Information about interests, relationships or circumstances between the External Expert or their employing organisation and the client might be obtained from inquiry of the client, if the circumstances of the engagement permit disclosure of the use of the External Expert to the client.

Potential Threats to the External Expert's Objectivity

390.18 A1 Self-interest, familiarity or intimidation threats to the External Expert's objectivity might be created by the interests, relationships or circumstances disclosed pursuant to paragraphs R390.12 to R390.17, as applicable.

390.18 A2 Factors that are relevant in evaluating the level of such threats to the External Expert's objectivity include, in addition to those set out in paragraph 390.8 A5:

- Whether the Financial Interest is direct or indirect, and whether such Financial Interest is material to the External Expert, their Immediate Family, or the External Expert's employing organisation, as applicable.
- Whether the Financial Interest allows the External Expert, their Immediate Family, or the External Expert's employing organisation, as applicable, to control or significantly influence the entity at which the External Expert is performing the work.

- The materiality or significance of the close business relationship between the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation, as applicable, and the entity or its management.
- The significance of any fees due to or recently received by the **External Expert** or their employing organisation from the entity.
- The role of the individual within the **External Expert's** team.
- The nature and value of the gifts or other benefits to the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation.
- The materiality or significance of the litigation and whether the litigation relates to prior work performed by the **External Expert** at the entity.
- The length of time since the **External Expert** left the entity as a **Director**, **Officer** or employee of the entity.
- The position in the entity held by the **External Expert's Immediate Family** or the management of the **External Expert's** employing organisation.
- The nature of any advocacy for the entity if the **External Expert** or their employing organisation made any previous statement advocating for the entity.

390.18 A3 Examples of actions that might eliminate the threats to the **External Expert's** objectivity include requesting the **External Expert** to:

- End the close business relationship.
- Remove the individual concerned from the **External Expert's** team.
- Decline the gifts or other benefits offered by the entity.

390.18 A4 Examples of actions that might be safeguards to address the threats to the **External Expert's** objectivity include, in addition to those set out in paragraph 390.8 A6, requesting the **External Expert** to:

- Dispose of enough of the **Financial Interest** so that the remaining interest is no longer material.
- Reduce the significance of the close business relationship.
- Structure the responsibilities of the individual concerned so that they do not deal with matters that are within the responsibility of the **Immediate Family** member who is serving as a **Director** or **Officer** of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information on which the Member in Public Practice will express an opinion or conclusion, or the records underlying such information.
- Returning the gifts or other benefits to the entity as soon as possible after they were accepted.

Consideration of New Information or Changes in Facts or Circumstances

All Professional Services

R390.19 The Member in Public Practice shall re-evaluate whether the **External Expert has the necessary competence, capabilities and objectivity for the Member's purpose when new information or changes in facts and circumstances arise.**

Audit, Review and Other Assurance Engagements

R390.20 The Member in Public Practice shall re-evaluate whether the **External Expert** has the necessary objectivity for the Member's purpose when there are any changes communicated pursuant to paragraph R390.5(b)(ii) that might arise during the period covered by the audit, review or other assurance report through to the issuance of that report.

Concluding on the **External Expert's** Competence, Capabilities and Objectivity

All Professional Services

R390.21 The Member in Public Practice shall not use the work of the **External Expert** if the Member:

- (a) Is unable to determine whether the **External Expert** has the necessary competence or capabilities, or is objective;
- (b) Determines that the **External Expert** does not have the necessary competence or capabilities for the Member's purpose; or
- (c) Determines that there are threats to the **External Expert's** objectivity that cannot be eliminated or reduced to an acceptable level.

390.21 A1 Circumstances in which a Member in Public Practice would be unable to determine whether the **External Expert** has the necessary competence or capabilities, or is objective, include where:

- The **External Expert** is unable to provide any of the information requested in paragraphs R390.12 to R390.17 because of a confidentiality restriction in law or regulation.
- In relation to specific information requested in paragraphs R390.12 to R390.17 concerning the **External Expert's Immediate Family** member or employing organisation, the **External Expert** is unable to obtain their consent to such disclosure.

390.21 A2 If a Member in Public Practice uses the work of such **External Expert**, this creates threats to the Member's compliance with the principles of integrity, objectivity and professional competence and due care that cannot be eliminated or reduced to an **Acceptable Level** by the application of safeguards.

Potential Threats Arising from Using the Work of an **External Expert**

All Professional Services

390.22 A1 Threats to compliance with the fundamental principles might still be created from using the work of an **External Expert** even if a Member in Public Practice has satisfactorily concluded that the **External Expert** has the necessary competence, capabilities and objectivity for the Member's purpose.

Identifying Threats

390.23 A1 Examples of facts and circumstances that might create threats to a Member in Public Practice's compliance with the fundamental principles when using an **External Expert's** work include:

(a) Self-interest threats

- A Member has insufficient expertise to understand and explain the External Expert's conclusions and findings.
- A Member has undue influence from, or undue reliance on, the External Expert or multiple External Experts when providing a Professional Service.
- A Member has insufficient time or resources to evaluate the External Expert's work.

(b) Self-review threats

- A Member uses the work of an External Expert who relies on previous judgements made by the Member and provided to the External Expert for the purposes of their work.

(c) Advocacy threats

- A Member promotes the use of an External Expert who has known bias towards conclusions potentially advantaging or disadvantaging the client.

(d) Familiarity threats

- A Member has a close personal relationship with the External Expert.

(e) Intimidation threats

- A Member feels pressure to defer to the External Expert's opinion due to the External Expert's perceived authority.
- A Member feels pressure to use the work of a particular External Expert in order to meet internal or external targets and expectations.

Evaluating Threats

390.24 A1 Factors that are relevant in evaluating the level of such threats include:

- The scope and purpose of the External Expert's work.
- The impact of the External Expert's work on the Member in Public Practice's engagement.
- The nature of the Professional Service for which the External Expert's work is intended to be used.
- The Member in Public Practice's oversight relating to the use of the External Expert and the External Expert's work.
- The appropriateness of, and transparency over, the data, assumptions and other inputs and methods used by the External Expert.
- The Member in Public Practice's ability to understand and explain the External Expert's work and its appropriateness for the intended purpose.
- Whether the External Expert's work is subject to technical performance standards or other professional or industry generally accepted practices, or law or regulation.
- Whether the External Expert's work, if it were to be performed by two or more parties, is not likely to be materially different.
- The consistency of the External Expert's work, including the External Expert's conclusions or findings, with other information.
- The availability of other evidence, including peer-reviewed academic research, to support the External Expert's approach.

- Whether there is pressure being exerted by the Member in Public Practice's Firm to accept the **External Expert's** conclusions or findings due to the time or cost spent by the **External Expert** in performing the work.

Addressing Threats

390.25 A1 An example of an action that might eliminate a familiarity threat is identifying a different **External Expert** to use.

390.25 A2 Examples of actions that might be safeguards to address threats include:

- Consulting with qualified personnel, or a professional outside the Member in Public Practice's Firm, who have the necessary expertise to evaluate the **External Expert's** work, obtaining additional input, or challenging the appropriateness of the **External Expert's** work for the intended purpose.
- Using another **External Expert** to reperform the **External Expert's** work.
- Agreeing with the client additional time or resources to complete the engagement.

Other Matters

External Experts in Emerging Fields or Areas

390.26 A1 Expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop. Emerging fields might also involve multiple areas of expertise. There might therefore be limited availability of **External Experts** in emerging fields or areas.

390.26 A2 Information relating to some of the factors relevant to evaluating the competence of an **External Expert** in paragraph 390.6 A2 might not be available in an emerging field or area. For example, there might not be public recognition of the **External Expert**, professional standards might not have been developed, or professional bodies might not have been established in the emerging field. In such circumstances, a factor that might assist the Member in Public Practice in evaluating an **External Expert's** competence is the **External Expert's** experience in a similar field to the emerging field, or in an established field, that provides a reasonable basis for the **External Expert's** work in the emerging field.

Communicating with Management and Those Charged with Governance When Using the Work of an External Expert

390.27 A1 Where appropriate, the Member in Public Practice is encouraged to communicate with management and **Those Charged with Governance**:

- The purpose of using an **External Expert** and the scope of the **External Expert's** work.
- The respective roles and responsibilities of the Member and the **External Expert** in the performance of the **Professional Service**.
- Any threats to the Member's compliance with the fundamental principles created by using the **External Expert's** work and how they have been addressed.

Documentation

R390.28 The Member in Public Practice shall obtain the information set out in paragraphs R390.12 to R390.17, as applicable, in writing from the **External Expert.**

390.29 A1 The Member in Public Practice is encouraged to document:

- The steps taken by the Member to evaluate the **External Expert's** competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the Member in using the **External Expert's** work and the actions taken to address the threats.
- The results of any significant discussions with the **External Expert**.

DRAFT

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

[Paragraphs 400.1 to 400.7 of extant Section 400 remain unchanged.]

Engagement Team and Audit Team

[Paragraphs 400.8 to 400.10 of extant Section 400 remain unchanged.]

400.11 An **Audit Engagement** might involve **eExperts** within, or engaged by, the **Firm**, a **Network Firm**, or a **Component Auditor Firm** outside a **Group Auditor Firm's Network**, who assist in the engagement. Depending on the role of the individuals, they might be **Engagement Team** or **Audit Team** members. For example:

- Individuals with **eExpertise** in a specialised area of accounting or auditing who perform audit procedures are **Engagement Team** members. These include, for example, individuals with **eExpertise** in accounting for income taxes or in analysing complex information produced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships.
- Individuals within, or engaged by, the **Firm** who have direct influence over the outcome of the **Audit Engagement** through consultation regarding technical or industry-specific issues, transactions or events for the engagement are **Audit Team** members but not **Engagement Team** members.

However, individuals who are **External Experts** are neither **Engagement Team** nor **Audit Team** members.

[Paragraph 400.12 of extant Section 400 remains unchanged.]

Public Interest Entities

[Paragraphs 400.13 to 400.15 of extant Section 400 remain unchanged.]

Reports that Include a Restriction on Use and Distribution

[Paragraph 400.16 of extant Section 400 remains unchanged.]

Assurance Engagements Other than Audit and Review Engagements

[Paragraph 400.17 of extant Section 400 remains unchanged.]

Requirements and Application Material

General

[Paragraphs 400.18 to AUST R400.19.1 of extant Section 400 remain unchanged.]

Prohibition on Assuming Management Responsibilities

[Paragraphs R400.20 to 400.20.A4 of extant Section 400 remain unchanged.]

R400.21 When performing a **Professional Activity** for an **Audit Client**, the **Firm** shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:

(i) The objectives, nature and results of the activities; and

(ii) The respective client and **Firm** or **Network Firm** responsibilities.

However, the individual is not required to possess the **eExpertise** to perform or re-perform the activities.

(b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.

(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

[Paragraph 400.21.A1 to R400.89 of extant Section 400 remain unchanged.]

SECTION 600

PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

Introduction

[Paragraph 600.1 of extant Section 600 remains unchanged.]

600.2 Firms and Network Firms might provide a range of non-assurance services to their Audit Clients, consistent with their skills and eExpertise. Providing non-assurance services to Audit Clients might create threats to compliance with the fundamental principles and threats to Independence.

[Paragraphs 600.3 to 600.6 of extant Section 600 remain unchanged.]

Requirements and Application Material

General

Non-Assurance Services Provisions in Laws or Regulations

[Paragraph 600.7 A1 of extant Section 600 remains unchanged.]

Risk of Assuming Management Responsibilities when Providing a Non-Assurance Service

[Paragraph 600.8 A1 of extant Section 600 remains unchanged.]

Accepting an Engagement to Provide a Non-Assurance Service

[Paragraph R600.9 of extant Section 600 remains unchanged.]

Identifying and Evaluating Threats

All Audit Clients

[Paragraph 600.10 A1 of extant Section 600 remains unchanged.]

600.10 A2 Factors that are relevant in identifying the different threats that might be created by providing a non-assurance service to an Audit Client, and evaluating the level of such threats include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a Public Interest Entity.
- The level of eExpertise of the client's management and employees with respect to the type of service provided.

- The extent to which the client determines significant matters of judgement. (Ref: Para. R400.20 to R400.21).
- Whether the outcome of the service will affect the accounting records or matters reflected in the [Financial Statements on which the Firm will express an Opinion](#), and, if so:
 - The extent to which the outcome of the service will have a material effect on the [Financial Statements](#).
 - The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the [Financial Statements](#).
- The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's:
 - Accounting records or [Financial Statements on which the Firm will express an Opinion](#).
 - Internal controls over financial reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- The fee relating to the provision of the non-assurance service.

[Paragraphs 600.10 A3 to 600.28 A1 of extant Section 600 remain unchanged.]

SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SERVICES

Introduction

[Paragraph 601.1 of extant Section 601 remains unchanged.]

Requirements and Application Material

General

[Paragraph 601.2 A1 of extant Section 601 remains unchanged.]

Description of Service

[Paragraph 601.3 A1 of extant Section 601 remains unchanged.]

Potential Threats Arising from the Provision of Accounting and Bookkeeping Services

All Audit Clients

[Paragraph 601.4 A1 of extant Section 601 remains unchanged.]

Audit Clients that are Not Public Interest Entities

[Paragraphs R601.5 to 601.5 A1 of extant Section 601 remain unchanged.]

601.5 A2 Accounting and bookkeeping services can either be manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include the activities performed by, and the output of, the technology, and whether the technology provides an automated service that is based on or requires the [eExpertise](#) or judgement of the [Firm](#) or [Network Firm](#).

[Paragraphs 601.5 A3 to R601.7 of extant Section 601 remain unchanged.]

SUBSECTION 604 – TAX SERVICES

Introduction

[Paragraph 604.1 of extant Section 604 remains unchanged.]

Requirements and Application Material

Description of Service

[Paragraphs 604.2 A1 to 604.2 A2 of extant Section 604 remain unchanged.]

Potential Threats Arising from the Provision of Tax Services

[Paragraphs 604.3 A1 of extant Section 604 remains unchanged.]

604.3 A2 Factors that are relevant in identifying self-review or advocacy threats created by providing any tax service to an [Audit Client](#), and evaluating the level of such threats include:

- The particular characteristics of the engagement.
- The level of tax [eExpertise](#) of the client's employees.
- The system by which the tax authorities assess and administer the tax in question and the role of the [Firm](#) or [Network Firm](#) in that process.
- The complexity of the relevant tax regime and the degree of judgement necessary in applying it.

[Paragraphs AUST R604.4 to 604.27 A2 of extant Section 604 remain unchanged.]

SUBSECTION 607 – LITIGATION SUPPORT SERVICES

Introduction

[Paragraph 607.1 of extant Section 607 remains unchanged.]

Requirements and Application Material

Description of Service

[Paragraph 607.2 A1 of extant Section 607 remains unchanged.]

Potential Threats Arising from the Provision of Litigation Support Services

[Paragraphs 607.3 A1 to 607.6 A2 of extant Section 607 remain unchanged.]

Acting as a Witness

All Audit Clients

607.7 A1 A professional within the Firm or the Network Firm might give evidence to a tribunal or court as a witness of fact or as an expert witness.

(a) A witness of fact is an individual who gives evidence to a tribunal or court based on his or her direct knowledge of facts or events.

(b) An expert witness is an individual who gives evidence, including opinions on matters, to a tribunal or court based on that individual's eExpertise.

607.7 A2 A threat to Independence is not created when an individual, in relation to a matter that involves an Audit Client, acts as a witness of fact and in the course of doing so provides an opinion within the individual's area of eExpertise in response to a question asked in the course of giving factual evidence.

[Paragraphs 607.7 A3 to R607.9 of extant Section 607 remain unchanged.]

DRAFT

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

[Paragraphs 900.1 to 900.6 of extant Section 900 remain unchanged.]

Description of Assurance Engagements

[Paragraphs 900.7 to AUST 900.8.1 of extant Section 900 remain unchanged.]

Reports that Include a Restriction on Use and Distribution

[Paragraph 900.9 of extant Section 900 remains unchanged.]

Audit and Review Engagements

[Paragraphs 900.10 of extant Section 900 remains unchanged.]

Requirements and Application Material

General

[Paragraphs R900.11 to AUST R900.12.1 of extant Section 900 remain unchanged.]

Prohibition on Assuming Management Responsibilities

[Paragraphs R900.13 to R900.13 A6 of extant Section 900 remain unchanged.]

- R900.14** When performing a **Professional Activity** for an **Assurance Client** that is related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of the **Assurance Engagement**, the **Firm** shall be satisfied that client management makes all related judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:
- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:
 - (i) The objectives, nature and results of the activities; and
 - (ii) The respective client and **Firm** responsibilities.

However, the individual is not required to possess the **eExpertise** to perform or re-perform the activities.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activity performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

[Paragraphs 900.14 A1 to R900.55 of extant Section 900 remain unchanged.]

DRAFT

SECTION 950

PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

Introduction

[Paragraph 950.1 of extant Section 950 remains unchanged.]

950.2 Firms might provide a range of non-assurance services to their Assurance Clients, consistent with their ~~skills and e~~Expertise. Providing certain non-assurance services to Assurance Clients might create threats to compliance with the fundamental principles and threats to Independence.

[Paragraphs 950.3 to 950.5 of extant Section 950 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 950.6 A1 to 950.8 A1 of extant Section 950 remain unchanged.]

950.8 A2 Factors that are relevant in identifying and evaluating the different threats that might be created by providing a non-assurance service to an Assurance Client include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a Public Interest Entity.
- The level of eExpertise of the client's management and employees with respect to the type of service provided.
- Whether the outcome of the service will affect the Underlying Subject Matter and, in an Attestation Engagement, matters reflected in the Subject Matter Information of the Assurance Engagement, and, if so:
 - The extent to which the outcome of the service will have a material effect on the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of the Assurance Engagement.
 - The extent to which the Assurance Client determines significant matters of judgement. (Ref: Para. R900.13 to R900.14).
- The degree of reliance that will be placed on the outcome of the service as part of the Assurance Engagement.
- The fee relating to the provision of the non-assurance service.

[Paragraphs 950.9 A1 to 950.13 A4 of extant Section 950 remain unchanged.]

PART 5 – ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE (INCLUDING INDEPENDENCE STANDARDS)

SECTION 5390

USING THE WORK OF AN EXTERNAL EXPERT

Introduction

- 5390.1 Sustainability Assurance Practitioners are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5390.2 A Sustainability Assurance Practitioner might use the work of an External Expert in the performance of a Professional Service. Using the work of such an External Expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.
- 5390.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an External Expert. Other professional standards might address the competence, capabilities and objectivity of an External Expert as factors that significantly affect whether the work of the External Expert will be adequate for the Sustainability Assurance Practitioner's purposes.

Requirements and Application Material

General

- 5390.4 A1 A self-interest threat to compliance with the principles of integrity and professional competence and due care is created if a Sustainability Assurance Practitioner performs a Professional Service for which the practitioner has insufficient expertise.
- 5390.4 A2 An action that might be a safeguard to address such a threat is to use the work of an External Expert for the Professional Service who has the competence, capabilities and objectivity to deliver the work needed for such service.
- 5390.4 A3 An External Expert might be used to undertake specific work to support a Professional Service provided by a Sustainability Assurance Practitioner. Such work can be in a field that is well-established or emerging. Examples of such work include:
- The valuation of assets such as complex financial instruments, land and buildings, plant and machinery, jewellery, works of art, antiques, intangible assets, assets acquired in business combinations, and assets that may have been impaired.
 - The valuation of liabilities such as those assumed in business combinations, those from actual or threatened litigation, environmental liabilities, complex financial instruments, site clean-up liabilities, and those associated with insurance contracts or employee benefit plans.
 - The calculation of greenhouse gas emissions.
 - The measurement of pollutants emitted to air, water and soil.
 - The assessment of forward-looking information about the decarbonisation plans of an entity.

- The assessment of the application of offsetting mechanisms for an entity, such as for carbon or biodiversity.
- The valuation of products and materials designed along principles for a sustainable economy.
- The estimation of oil and gas reserves.
- The interpretation of contracts, laws and regulations, including tax and labour laws and regulations.
- The assessment and evaluation of IT systems, including those related to cybersecurity.
- The accounting for specific matters such as financial instruments or carbon credits.
- Consideration of the methodologies or classification systems used to measure a product's impact on the environment.
- Assessment or measurement of impacts of activities, products or services on the environment, economy and social or cultural conditions.

5390.4 A4 This section does not apply to:

- The use of the work of an **Expert** employed or engaged by the sustainability assurance client to assist the client in preparing the financial or non-financial information. Such work is deemed to be information provided by management;
- The use of the work of individuals or organisations that are engaged by the **Sustainability Assurance Practitioner** and are under the practitioner's direction, supervision and review, for example, subcontractors; and
- The use of information provided by individuals or organisations that are external information sources for general use. Examples of those information sources include those that provide industry or other benchmarking data or studies, such as information about employment statistics including hours worked and compensation per week by geographical area, real estate prices, carbon emissions by vehicle type, mortality tables, or other datasets for general use.

5390.4 A5 This section does not address a **Sustainability Assurance Practitioner's** evaluation of the adequacy of an **External Expert's** work for purposes of a **Professional Service** undertaken by the practitioner, and the implications for the engagement if the practitioner determines that such work is not adequate. Such implications might be addressed in other professional standards.

Agreeing the Terms of Engagement with an **External Expert**

All Professional Services

R5390.5 If the **Sustainability Assurance Practitioner has determined to use an **External Expert** for a **Professional Service** and has identified an **External Expert** for such purpose, the practitioner shall, to the extent not otherwise addressed by law, regulation or other professional standards, agree the terms of engagement with the **External Expert**, including:**

- The nature, scope and objectives of the work to be performed by the **External Expert**; and**

(b) In the context of sustainability or other assurance engagements for the same Sustainability Assurance Client:

- (i) The provision of information in writing for purposes of assisting the practitioner's evaluation of the External Expert's objectivity; and**
- (ii) A commitment from the External Expert to communicate any changes to the information provided during the period covered by the sustainability assurance or other assurance report for the same Sustainability Assurance Client through to the issuance of that report.**

5390.5 A1 In agreeing the terms of engagement, matters that the **Sustainability Assurance Practitioner** might discuss with the **External Expert** include:

- The intended use and timing of the External Expert's work.
- The External Expert's planned approach to the work.
- Expectations regarding:
 - The confidentiality of the External Expert's work and the inputs to that work.
 - The information to be provided by the External Expert and the nature of such information.
 - The content and format of the External Expert's completed work, including any assumptions made and limitations to that work.
 - The fees for the External Expert's work.
 - The External Expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the Sustainability Assurance Client, or by Those Charged with Governance, management or others working for or under the direction of the client, of which the External Expert becomes aware when performing the work.

5390.5 A2 A self-interest, self-review, familiarity or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a **Sustainability Assurance Practitioner** uses an **External Expert** who does not have the necessary competence, capabilities or objectivity to deliver the work needed for the particular **Professional Service**.

Evaluating the External Expert's Competence, Capabilities, and Objectivity

All Professional Services

R5390.6 **The Sustainability Assurance Practitioner shall evaluate whether the External Expert has the necessary competence for the practitioner's purpose.**

5390.6 A1 Competence relates to the nature and level of expertise of the **External Expert**.

5390.6 A2 Factors that are relevant in evaluating whether the **External Expert** has the necessary competence include:

- Whether the External Expert's credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed.
- Whether the External Expert belongs to a relevant professional body or is subject to oversight by a regulatory body or other authority, and, if so, whether the External Expert is in good standing.
- Whether any disciplinary actions have been published by a regulatory body or other authority relating to the External Expert's competence.

- Whether the **External Expert**'s work is subject to legal and regulatory requirements or professional standards issued by a recognised body, or follows generally accepted principles or practices, in the **External Expert**'s field or area of expertise.
- Whether the **External Expert** can explain their work, including the inputs, assumptions and methodologies used.
- Whether the **External Expert** has a history of performing similar work.

R5390.7 The Sustainability Assurance Practitioner shall evaluate whether the External Expert has the necessary capabilities for the practitioner's purpose.

5390.7A1 Capabilities relates to the ability of the **External Expert** to exercise their competence in the circumstances of the **Professional Service**.

5390.7 A2 Factors that are relevant in evaluating whether the **External Expert** has the necessary capabilities include:

- The resources available to the **External Expert**.
- Whether the **External Expert** has sufficient time to perform the work.

R5390.8 The Sustainability Assurance Practitioner shall evaluate whether the External Expert has the necessary objectivity for the practitioner's purpose.

5390.8 A1 Objectivity relates to the possible effects that bias, conflict of interest, or the undue influence of, or undue reliance on, others might have on the professional or business judgement of the **External Expert**.

5390.8 A2 Factors that are relevant in identifying threats to the objectivity of the **External Expert** for the period during which the **External Expert** is performing the work include:

- Whether the **External Expert** or their employing organisation has an actual or potential conflict of interest in relation to the work the **External Expert** is performing at the entity.
- Whether the **Sustainability Assurance Practitioner** is aware of any potential bias that might affect the **External Expert**'s work.
- Whether the **External Expert** is charging a contingent fee, and if so, the basis for such fee.⁴
- Whether the **External Expert** will evaluate or rely on any previous judgements made or activities performed by the **External Expert** or their employing organisation in relation to the subject matter of the **External Expert**'s work.

5390.8 A3 The **External Expert**'s employing organisation is the entity that directly employs the expert, regardless of the legal form of the employment, and does not extend to other entities that might control, or are otherwise related to, the employing organisation.

5390.8 A4 Examples of previous judgements made or activities performed by an **External Expert** or their employing organisation that might create a self-review threat to the **External Expert**'s objectivity include:

- Having advised the entity on the matter for which the **External Expert** is performing the work.

⁴ Members in Public Practice are prohibited from receiving a Contingent Fee or entering into a Contingent Fee arrangement in specific engagement circumstances as outlined in paragraph AUST R330.4.1 of the Code.

- Having produced data or other information, or having designed, developed, implemented, operated, maintained, monitored, updated or upgraded an IT system, for the entity which is then used by the External Expert in performing the work or is the subject of that work.

5390.8 A5 Factors that are relevant in evaluating the level of such threats to the External Expert's objectivity include:

- The existence of conditions, policies and procedures established by the External Expert's profession, legislation, regulation, or the External Expert's employing organisation, including whether the External Expert is subject to ethics standards issued by a body responsible for issuing such standards in the External Expert's field of expertise.
- The nature and scope of the External Expert's work.
- The existence and adequacy of any quality management system employed by the External Expert.

5390.8 A6 Examples of actions that might be safeguards to address threats to an External Expert's objectivity include:

- Consulting with qualified personnel, or a professional outside the Sustainability Assurance Practitioner's Firm, who have the necessary expertise to evaluate the External Expert's work for the intended purpose.
- Requesting the External Expert to take steps to address a conflict of interest, for example, implementing measures to segregate the work from such conflict of interest.
- Restructuring or reassigning the part of the External Expert's work giving rise to the threat to another External Expert.

Sources of Information

5390.9 A1 Information about the External Expert's competence, capabilities and objectivity might be obtained from various sources, including:

- Personal association or experience with previous work undertaken by the External Expert.
- Inquiry of others within or outside the Sustainability Assurance Practitioner's Firm who are familiar with the External Expert's work.
- Discussion with the External Expert about their background, including their field of expertise and business activities.
- Inquiry of the External Expert's professional body or industry association.
- Articles, papers or books written by the External Expert and published by a recognised publisher or in a recognised journal or other medium.
- Published records, such as legal proceedings involving the External Expert.
- Inquiry of the Sustainability Assurance Client and, if different, the entity at which the External Expert is performing the work regarding any interests and relationships between the External Expert and the client or the entity.
- The system of quality management of the Sustainability Assurance Practitioner's Firm.

Additional Considerations when Evaluating Competence, Capabilities and Objectivity

5390.10 A1 Evaluating whether an External Expert has the necessary competence, capabilities and objectivity for the Sustainability Assurance Practitioner's purpose involves exercising professional judgement and using the reasonable and informed third party test.

5390.10 A2 A Sustainability Assurance Practitioner might face pressure to breach the fundamental principles if the practitioner encounters difficulties in concluding, or is unable to conclude, that the External Expert has the necessary competence, capabilities and objectivity for the practitioner's purpose when the External Expert has already performed a significant portion of their work. In such circumstances, Section 270 is relevant in considering how to address such pressure.

Additional Objectivity Considerations for Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client

5390.11 A1 Stakeholders have heightened expectations regarding the objectivity of an External Expert whose work is used in a sustainability or other assurance engagement for the same Sustainability Assurance Client. Therefore, paragraphs R5390.12 to R5390.19 set out further actions in evaluating the objectivity of an External Expert in such engagement pursuant to paragraph R5390.8.

Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client that is Not a Public Interest Entity

R5390.12 The Sustainability Assurance Practitioner shall request the External Expert to provide in writing:

- (A) To the best of their knowledge and belief;
- (B) In relation to the entity at which the External Expert is performing the work; and
- (C) From the beginning of the period covered by the assurance report until the completion of the External Expert's work,

information about:

- (a) Any Direct Financial Interest or material Indirect Financial Interest in the entity held by the External Expert, their Immediate Family, or the External Expert's employing organisation;
- (b) Any actual or potential conflict of interest the External Expert, their Immediate Family or the External Expert's employing organisation might have in relation to the work the External Expert is performing at the entity; and
- (c) Any previous or current engagements between the External Expert or their employing organisation and the entity.

R5390.13 The Sustainability Assurance Practitioner shall also consider requesting the External Expert to provide in writing:

- (a) To the best of their knowledge and belief; and
- (b) From the beginning of the period covered by the assurance report until the completion of the External Expert's work,

information about any additional interests, relationships or circumstances between the External Expert, their Immediate Family or the External Expert's employing organisation and the entity at which the External Expert is performing the work.

5390.13 A1 In addition to the interests, relationships or circumstances in paragraph R5390.13, paragraph R5390.14 sets out other interests, relationships or circumstances between the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation and the entity at which the **External Expert** is performing the work.

5390.13 A2 Factors that are relevant in determining whether to request information about any additional interests, relationships or circumstances from the **External Expert** include:

- The scale of the **External Expert's** practice.
- The range of services offered by the **External Expert**.
- How long the **External Expert** has been practicing.
- The complexity of the **External Expert's** work.
- The impact of the **External Expert's** work on the **Sustainability Assurance Practitioner's** engagement.

For example, the larger the **External Expert's** practice, the broader its range of services, or the longer it has been practicing, the greater the possibility that there might be additional interests, relationships or circumstances between the **External Expert** or their employing organisation and the entity.

Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client that is a Public Interest Entity

R5390.14 **The Sustainability Assurance Practitioner shall request the External Expert to provide in writing:**

- (A) To the best of their knowledge and belief;
- (B) In relation to the entity at which the External Expert is performing the work; and
- (C) From the beginning of the period covered by the assurance report until the completion of the External Expert's work,

information about:

- (a) Any Direct Financial Interest or material Indirect Financial Interest in the entity held by the External Expert, their Immediate Family, or the External Expert's employing organisation;
- (b) Any loan, or guarantee of a loan, made to the entity by the External Expert, their Immediate Family, or the External Expert's employing organisation, other than where the loan or guarantee is immaterial to the External Expert, their Immediate Family or the External Expert's employing organisation, as applicable, and the entity;
- (c) Any loan, or guarantee of a loan, accepted by the External Expert, their Immediate Family, or the External Expert's employing organisation from the entity if it is a bank or similar institution, other than where the loan or guarantee is made under normal lending procedures, terms and conditions;
- (d) Any loan, or guarantee of a loan, accepted by the External Expert, their Immediate Family, or the External Expert's employing organisation from the entity if it is not a bank or similar institution, other than where the loan or guarantee is immaterial to the External Expert, their Immediate Family or the External Expert's employing organisation, as applicable, and the entity;
- (e) Any close business relationship between the External Expert, their Immediate Family, or the External Expert's employing organisation and the entity or its management, other than where the Financial Interest, if any, is immaterial and

the business relationship is insignificant to the External Expert, their Immediate Family or the External Expert's employing organisation, as applicable, and the entity or its management;

- (f) Any previous or current engagements between the External Expert or their employing organisation and the entity;
- (g) Any fee or contingent fee⁵ or dependency on fees or other types of remuneration due to or recently received by the External Expert or their employing organisation from the entity;
- (h) Any gifts or other benefits accepted by the External Expert, their Immediate Family or the External Expert's employing organisation from the entity other than those that are trivial and inconsequential;
- (i) Any actual or potential litigation between the External Expert or their employing organisation and the entity;
- (j) Any position currently or previously held by the External Expert as a director, officer or employee of the entity;
- (k) Any position currently or previously held by the External Expert's Immediate Family or by management of the External Expert's employing organisation as a Director or Officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information on which the Sustainability Assurance Practitioner will express an opinion or conclusion, or the records underlying such information.
- (l) Any previous public statements by the External Expert or their employing organisation which advocated for the entity;
- (m) The nature and extent of any interests and relationships between the controlling owners, if any, of the External Expert's employing organisation and the entity; and
- (n) Any actual or potential conflict of interest the External Expert, their Immediate Family or the External Expert's employing organisation might have in relation to the work the External Expert is performing at the entity; and
with respect to the length of the relationship of the External Expert and their employing organisation with the entity;
- (o) How long the association has been.

Considerations Relating to an External Expert's Team and Where the Client is Not the Entity at Which the External Expert is Performing the Work

All sustainability or other assurance engagements for the same sustainability assurance client

R5390.15 Where the External Expert uses a team to carry out the work, the Sustainability Assurance Practitioner shall request the External Expert to have all members of the External Expert's team provide in writing the information set out in paragraphs R5390.12 to R5390.14, as applicable, in relation to the entity at which the External Expert is performing the work.

⁵ Members in Public Practice are prohibited from receiving a Contingent Fee or entering into a Contingent Fee arrangement in specific engagement circumstances as outlined in paragraph AUST R330.4.1 in the Code.

R5390.16 Where the **Sustainability Assurance Practitioner's** client is not the entity at which the **External Expert** is performing the work, the **Sustainability Assurance Practitioner** shall also request the **External Expert** to provide in writing:

- (A) To the best of their knowledge and belief;
- (B) In relation to the client; and
- (C) From the beginning of the period covered by the assurance report until the completion of the **External Expert's** work,

information about:

- (a) Any **Direct Financial Interest** or material **Indirect Financial Interest** in the **Sustainability Assurance Client** held by the **External Expert**, their **Immediate Family**, or the **External Expert's** employing organisation;
- (b) Any actual or potential conflict of interest the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation might have with the **Sustainability Assurance Client**; and
- (c) Any previous or current engagements between the **External Expert** or their employing organisation and the client.

R5390.17 The **Sustainability Assurance Practitioner** shall also consider requesting the **External Expert** to provide in writing:

- (a) To the best of their knowledge and belief; and
- (b) From the beginning of the period covered by the assurance report until the completion of the **External Expert's** work,

information about any additional interests, relationships or circumstances between the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation and the client.

5390.17 A1 In addition to the interests, relationships or circumstances in paragraph R5390.17, paragraph R5390.14 sets out other interests, relationships or circumstances between the **External Expert**, their **Immediate Family** or the **External Expert's** employing organisation and the client.

5390.17 A2 Factors that are relevant in determining whether to request information about any additional interests, relationships or circumstances from the **External Expert** include:

- The scale of the **External Expert's** practice.
- The range of services offered by the **External Expert**.
- How long the **External Expert** has been practicing.
- Whether the client is a **Public Interest Entity**.
- The nature of the relationship between the client and the entity at which the **External Expert** is performing the work.
- The scale and complexity of the client's operations.
- The complexity of the **External Expert's** work.
- The impact of the **External Expert's** work on the **Sustainability Assurance Practitioner's** engagement.

For example, the larger the **External Expert's** practice, the broader its range of services, or the longer it has been practicing, the greater the possibility that there might be additional interests, relationships or circumstances between the **External Expert** or their employing organisation and the entity.

5390.17 A3 Information about interests, relationships or circumstances between the External Expert or their employing organisation and the Sustainability Assurance Client might be obtained from inquiry of the client, if the circumstances of the engagement permit disclosure of the use of the External Expert to the client.

Potential Threats to the External Expert's Objectivity

5390.18 A1 Self-interest, familiarity or intimidation threats to the External Expert's objectivity might be created by the interests, relationships or circumstances disclosed pursuant to paragraphs R5390.12 to R5390.17, as applicable.

5390.18 A2 Factors that are relevant in evaluating the level of such threats to the External Expert's objectivity include, in addition to those set out in paragraph 5390.8 A5:

- Whether the Financial Interest is direct or indirect, and whether such Financial Interest is material to the External Expert, their Immediate Family, or the External Expert's employing organisation, as applicable.
- Whether the Financial Interest allows the External Expert, their Immediate Family, or the External Expert's employing organisation, as applicable, to control or significantly influence the entity at which the External Expert is performing the work.
- The materiality or significance of the close business relationship between the External Expert, their Immediate Family or the External Expert's employing organisation, as applicable, and the entity or its management.
- The significance of any fees due to or recently received by the External Expert or their employing organisation from the entity.
- The role of the individual within the External Expert's team.
- The nature and value of the gifts or other benefits to the External Expert, their Immediate Family or the External Expert's employing organisation.
- The materiality or significance of the litigation and whether the litigation relates to prior work performed by the External Expert at the entity.
- The length of time since the External Expert left the entity as a Director, Officer or employee of the entity.
- The position in the entity held by the External Expert's Immediate Family or the management of the External Expert's employing organisation.
- The nature of any advocacy for the entity if the External Expert or their employing organisation made any previous statement advocating for the entity.

5390.18 A3 Examples of actions that might eliminate the threats to the External Expert's objectivity include requesting the External Expert to:

- End the close business relationship.
- Remove the individual concerned from the External Expert's team.
- Decline the gifts or other benefits offered by the entity.

5390.18 A4 Examples of actions that might be safeguards to address the threats to the External Expert's objectivity include, in addition to those set out in paragraph 5390.8 A6, requesting the External Expert to:

- Dispose of enough of the Financial Interest so that the remaining interest is no longer material.
- Reduce the significance of the close business relationship.

- Structure the responsibilities of the individual concerned so that they do not deal with matters that are within the responsibility of the **Immediate Family** member who is serving as a **Director** or **Officer** of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information on which the **Sustainability Assurance Practitioner** will express an opinion or conclusion, or the records underlying such information.
- Returning the gifts or other benefits to the entity as soon as possible after they were accepted.

Consideration of New Information or Changes in Facts or Circumstances

All Professional Services

R5390.19 The **Sustainability Assurance Practitioner** shall re-evaluate whether the **External Expert** has the necessary competence, capabilities and objectivity for the practitioner's purpose when new information or changes in facts and circumstances arise.

R5390.20 The **Sustainability Assurance Practitioner** shall re-evaluate whether the **External Expert** has the necessary objectivity for the practitioner's purpose when there are any changes communicated pursuant to paragraph R5390.5(b)(ii) that might arise during the period covered by the assurance report through to the issuance of that report.

Concluding on the **External Expert's** Competence, Capabilities and Objectivity

All Professional Services

R5390.21 The **Sustainability Assurance Practitioner** shall not use the work of the **External Expert** if the practitioner:

- Is unable to determine whether the **External Expert** has the necessary competence or capabilities, or is objective;
- Determines that the **External Expert** does not have the necessary competence, or capabilities for the practitioner's purpose; or
- Determines that there are threats to the **External Expert's** objectivity that cannot be eliminated or reduced to an acceptable level.

5390.21 A1 Circumstances in which a **Sustainability Assurance Practitioner** would be unable to determine whether the **External Expert** has the necessary competence or capabilities, or is objective, include where:

- The **External Expert** is unable to provide any of the information requested in paragraphs R5390.12 to R5390.17 because of a confidentiality restriction in law or regulation.
- In relation to specific information requested in paragraphs R5390.12 to R5390.17 concerning the **External Expert's Immediate Family** member or employing organisation, the **External Expert** is unable to obtain their consent to such disclosure.

5390.21 A2 If a **Sustainability Assurance Practitioner** uses the work of such **External Expert**, this creates threats to the practitioner's compliance with the principles of integrity, objectivity and professional competence and due care that cannot be eliminated or reduced to an **Acceptable Level** by the application of safeguards.

Potential Threats Arising from Using the Work of an External Expert

All Professional Services

5390.22 A1 Threats to compliance with the fundamental principles might still be created from using the work of an **External Expert** even if a **Sustainability Assurance Practitioner** has satisfactorily concluded that the **External Expert** has the necessary competence, capabilities and objectivity for the practitioner's purpose.

Identifying Threats

5390.23 A1 Examples of facts and circumstances that might create threats to a **Sustainability Assurance Practitioner's** compliance with the fundamental principles when using an **External Expert's** work include:

(a) Self-interest threats

- A Sustainability Assurance Practitioner has insufficient expertise to understand and explain the External Expert's conclusions and findings.
- A Sustainability Assurance Practitioner has undue influence from, or undue reliance on, the External Expert or multiple External Experts when providing a Professional Service.
- A Sustainability Assurance Practitioner has insufficient time or resources to evaluate the External Expert's work.

(b) Self-review threats

- A Sustainability Assurance Practitioner uses the work of an External Expert who relies on previous judgements made by the practitioner and provided to the External Expert for the purposes of their work.

(c) Advocacy threats

- A Sustainability Assurance Practitioner promotes the use of an External Expert who has known bias towards conclusions potentially advantaging or disadvantaging the Sustainability Assurance Client.

(d) Familiarity threats

- A Sustainability Assurance Practitioner has a close personal relationship with the External Expert.

(e) Intimidation threats

- A Sustainability Assurance Practitioner feels pressure to defer to the External Expert's opinion due to the External Expert's perceived authority.
- A Sustainability Assurance Practitioner feels pressure to use the work of a particular External Expert in order to meet internal or external targets and expectations.

Evaluating Threats

5390.24 A1 Factors that are relevant in evaluating the level of such threats include:

- The scope and purpose of the External Expert's work.
- The impact of the External Expert's work on the Sustainability Assurance Practitioner's engagement.
- The nature of the Professional Service for which the External Expert's work is intended to be used.

- The Sustainability Assurance Practitioner's oversight relating to the use of the External Expert and the External Expert's work.
- The appropriateness of, and transparency over, the data, assumptions and other inputs and methods used by the External Expert.
- The Sustainability Assurance Practitioner's ability to understand and explain the External Expert's work and its appropriateness for the intended purpose.
- Whether the External Expert's work is subject to technical performance standards or other professional or industry generally accepted practices, or law or regulation.
- Whether the External Expert's work, if it were to be performed by two or more parties, is not likely to be materially different.
- The consistency of the External Expert's work, including the External Expert's conclusions or findings, with other information.
- The availability of other evidence, including peer-reviewed academic research, to support the External Expert's approach.
- Whether there is pressure being exerted by the Sustainability Assurance Practitioner's Firm to accept the External Expert's conclusions or findings due to the time or cost spent by the External Expert in performing the work.

Addressing Threats

5390.25 A1 An example of an action that might eliminate a familiarity threat is identifying a different External Expert to use.

5390.25 A2 Examples of actions that might be safeguards to address threats include:

- Consulting with qualified personnel, or a professional outside the Sustainability Assurance Practitioner's Firm, who have the necessary expertise to evaluate the External Expert's work, obtaining additional input, or challenging the appropriateness of the External Expert's work for the intended purpose.
- Using another External Expert to reperform the External Expert's work.
- Agreeing with the sustainability assurance client additional time or resources to complete the engagement.

Other Matters

External Experts in Emerging Fields or Areas

5390.26 A1 Expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop. Emerging fields might also involve multiple areas of expertise. There might therefore be limited availability of External Experts in emerging fields or areas.

5390.26 A2 Information relating to some of the factors relevant to evaluating the competence of an External Expert in paragraph 5390.6 A2 might not be available in an emerging field or area. For example, there might not be public recognition of the External Expert, professional standards might not have been developed, or professional bodies might not have been established in the emerging field. In such circumstances, a factor that might assist the Sustainability Assurance Practitioner in evaluating an External Expert's competence is the External Expert's experience in a similar field to the emerging field, or in an established field, that provides a reasonable basis for the External Expert's work in the emerging field.

Communicating with Management and Those Charged with Governance When Using the Work of an External Expert

5390.27 A1 Where appropriate, the Sustainability Assurance Practitioner is encouraged to communicate with management and Those Charged with Governance:

- The purpose of using an External Expert and the scope of the External Expert's work.
- The respective roles and responsibilities of the practitioner and the External Expert in the performance of the Professional Service.
- Any threats to the practitioner's compliance with the fundamental principles created by using the External Expert's work and how they have been addressed.

Documentation

R5390.28 The Sustainability Assurance Practitioner shall obtain the information set out in paragraphs R5390.12 to R5390.17, as applicable, in writing from the External Expert.

5390.29 A1 The Sustainability Assurance Practitioner is encouraged to document:

- The steps taken by the practitioner to evaluate the External Expert's competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the practitioner in using the External Expert's work and the actions taken to address the threats.
- The results of any significant discussions with the External Expert.

TRANSITIONAL PROVISIONS

[Paragraphs 1 to 11 of the transitional provisions in the extant Code and amending standards remain unchanged.]

Revisions to the Code addressing Using the Work of an External Expert

13. Revisions to the [Code](#) addressing Using the Work of an External Expert have effective dates as set out below.
- The provisions in Part 2 will be effective as of 1 January 2027.
 - 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 1 January 2027, or as at a specific date on or after 1 January 2027.
 - Other Professional Services as of 1 January 2027.
 - The provisions in Part 5 will be effective for [Sustainability Assurance Engagements](#) on [Sustainability Information](#) for periods beginning on or after 1 January 2026, or as at a specific date on or after 1 January 2026.

Early adoption is permitted and encouraged.

Transitional Provisions for Sustainability Assurance Engagements

For periods before 1 January 2025

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

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.

Transparency requirement when transitional relief provisions have been utilised

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\(s\)](#).

CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS

APES 110 and the IESBA Code

APES 110 incorporates the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to January 2025.

Compliance with the IESBA Code

[All other items on the extant list of compliance with the IESBA Code in the extant Code and Amending Standards remain unchanged.]

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