

## AGENDA PAPER

**Item Number:** 7

**Date of Meeting:** 17 June 2025

**Subject:** Review and Consideration of comments – ED 02/25 Using the Work of an External Expert

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<input checked="" type="checkbox"/> <b>Action Required</b>	<input checked="" type="checkbox"/> <b>For Discussion</b>	<input type="checkbox"/> <b>For Noting</b>	<input type="checkbox"/> <b>For Information</b>
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### Purpose

To:

- (a) provide the Board with a summary of the key issues identified in the submissions received on the Exposure Draft ED 02/25 *Proposed Revisions to the Code Addressing Using the Work of an External Expert*;
- (b) seek the Board's view on the retention of the proposed transparency disclosure requirement if optional transitional relief relating to the use of experts is utilised; and
- (c) seek the Board's approval, subject to the Board's review comments and editorials, for the Use of Experts Standard (refer to the proposed combined Amending Standard for Sustainability and Experts at Agenda Item 8).

### Background

In December 2022, the International Ethical Standards Board for Accountants (IESBA) approved a [project proposal](#) on the Use of Experts to address the ethics and independence considerations when experts work alongside professional accountants in preparing financial and non-financial information, conducting audits and assurance engagements, and delivering other professional services. This project is part of IESBA's broader initiative on sustainability-related ethical standards.

In January 2025, the IESBA issued the final pronouncement, [Revisions to the Code Addressing Using the Work of an External Expert](#). The pronouncement will be effective for periods beginning on or after 15 December 2026. Early adoption is permitted and encouraged.

At the March 2025 Board Meeting ([Agenda Item 9](#)), the Board [approved](#) the release of an Exposure Draft (ED) relating to using the work of an external expert to maintain alignment with the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code).

On 25 March 2025, APESB issued the exposure draft ED 02/25 [Proposed Revisions to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) Addressing Using the Work of an External Expert](#) with a comment period ending 12 May 2025.

## Matters for Consideration

APESB received six submissions on ED 02/25 from three professional bodies and three accounting firms. The submissions from stakeholders are tabulated in General and Specific Comments Tables at Agenda Items 7 (a) and 7 (b), respectively.

The respondents were all generally supportive of the addition of the ethical framework when using the work of an external expert. However, some concerns were raised about the practical application of the expert framework and the proposed transitional relief provisions (including the transparency disclosure requirement). Technical staff's responses to these key matters are summarised below.

### Practical application of the expert's framework

While stakeholders were supportive of the new framework and the new definitions, a number of respondents raised concerns relating to how the framework should be applied in practice.

- *Assessment of Objectivity appears closer to an Independence Assessment*

A respondent was concerned that the new framework effectively assesses the experts' independence rather than their objectivity (set out at specific comment item 7 in Agenda 7(b)).

The IESBA confirmed in paragraphs 79 - 80 of the [IESBA's Basis for Conclusions](#) that while the external expert's objectivity is to be evaluated using similar categories of attributes, timeframe, and types of individuals used to assess independence for a Professional Accountant, the approach to the evaluation is different. An expert's objectivity is assessed using the conceptual framework, whereas the independence of the professional accountants is assessed using the conceptual framework with the addition of explicit prohibitions.

Technical Staff are of the view that no amendments are required to address this matter.

- *Safeguards for an external expert's competence, capability*

One concern raised (in specific comment item 5 in Agenda 7(b)) focused on the impact of the prohibition on using the work of an external expert in proposed paragraphs R290.12, R390.12 and R5390.12 when there are concerns with the expert's Competence, Capability or Objectivity (CCO). The respondent was of the view that safeguards should be provided to address the circumstances when an external expert lacks the necessary competence or capabilities. The respondent suggested the involvement of a secondary external expert as a safeguard.

Safeguards are actions that the Member takes that effectively reduce threats to compliance with the fundamental principles to an Acceptable Level. Therefore, any action the external expert undertakes is not a safeguard for the purposes of the Code. This is confirmed by the IESBA in paragraph 51 of the [IESBA's Basis for Conclusions](#), which states that '...no safeguards can address circumstances where an external expert does not have the necessary competence or capabilities'.

Technical Staff are of the view that the use of a secondary expert is a factor to be considered in assessing the competency and capability of the external expert. Technical Staff note that paragraphs 290.7 A2, 390.7 A2 and 5390.7 A2 all list '...the resources

available to the external expert' as a relevant factor, and consider that the secondary expert could be considered as a resource available to the external expert.

In addition, Technical Staff note that the lists of factors and examples in application material in the Code are illustrative and should not be considered exhaustive. Therefore, the Member must consider the factors relevant to their circumstances and exercise their professional judgement to determine whether the external expert has the necessary competence and capability for the Member's purpose.

Based on the above, Technical Staff are of the view that no amendments are required to the proposed provisions based on the respondent's comments.

- Implementation challenges for Australian practitioners

Four respondents raised concerns about implementation challenges in the Australian environment, including the impact on small-to-medium practices (SMPs) and the time required to implement. These concerns are noted as General Comment items 10 and 12 at Agenda item 7(a) and Specific comment items 6 and 7 at Agenda item 7(b).

Technical Staff note that Australia is a sophisticated G20 market with many years of experience in voluntary sustainability reporting. The phased introduction of mandatory sustainability reporting and assurance requirements based on the size of the entity allows time for smaller practices and entities to adapt to the new requirements. Further, the proposed effective date provides a two-year implementation timeline, allowing sufficient time for Members to make necessary system or process changes and become familiar with the new obligations.

The IESBA considered scalability and proportionality in the final provisions for experts but noted that the revisions "raise the bar" for an external expert's objectivity to a sufficiently high level for the expert's work to be used in audit, review or other assurance engagements ([IESBA's Basis for Conclusions](#), paragraph 62).

Technical Staff also note that the experts provisions are proposed to be adopted in New Zealand with no amendments proposed from the International provisions.

The IESBA staff is developing guidance materials to assist practitioners. A FAQ document on the Use of Experts is expected to be released in July 2025. Subsequent to the release of the IESBA material, APESB may issue further local guidance if required.

Technical Staff are not proposing any amendments to the experts' provisions regarding these matters raised by the respondents.

## Transitional Relief Provisions, including the Effective Date & Transparency Disclosure Requirement

- Effective Date

There are two proposed effective dates for the experts provisions:

- The provisions in Part 5 will be effective for the reporting period beginning on or after 1 January 2026, or as at a specific date after 1 January 2026; and
- The provisions in Parts 2 and 3, and all other professional services, will be effective from 1 January 2027.

The effective date for the Part 5 provisions was determined based on the effective date for the sustainability provisions of 1 January 2026. This date is also reflective of the legislative requirements in Australia for climate-related disclosures. The effective date for the remaining provisions aligns with the international effective date set out by the IESBA.

Technical Staff note that respondents were generally supportive of the proposed effective date provision. However, two respondents were of the view that the effective date (for the Part 5 provisions) should align with the international effective date (as noted in specific comment items 9 and 10 of agenda item 7(b)).

APESB typically adopts international effective dates to APES 110 Amending Standards, which include recent revisions for Tax Planning and Related Services, Technology, and PIEs. In this specific instance, Australian legislation mandates earlier reporting timeframes for sustainability reporting and assurance, requiring APESB to adopt the sustainability standards before the IESSA takes effect due to the Australian legislative environment. This is also consistent with the action of the AUASB, who adopted ASSA 5000 earlier than the international date.

Based on the above, Technical Staff do not propose any changes to the effective date of the experts provisions.

- *Transitional Relief Provisions*

Respondents were generally supportive of the proposed transitional relief provisions, but some concerns were raised about their clarity and whether all proposed tranches of the relief were required. The details of these comments are set out in Specific Comment items 11 – 14 at Agenda Item 7(b).

Technical Staff note that the context in which the transitional relief provisions were originally drafted in March 2025 has changed. Initially, the drafting reflected proposals being considered by the AUASB about the relevant ethical requirements for ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) that apply from 1 January 2025.

The AUASB decided on a revised approach to ASSA 5000 at its meeting on 14 May 2025, in which it was determined that the extant APES 110 will be applied in 2025. Technical Staff considered the AUASB's revised position alongside the respondents' comments in reviewing the proposed transitional provisions.

A respondent commented that the first tranche of optional relief provided for periods before 1 January 2025 is no longer required and should be deleted. In addition, the respondent believed that swapping the order of the remaining two tranches of the proposed transitional relief provisions would improve readers' understanding of the provisions.

Technical Staff agreed with the respondent's comments and drafted revisions to the transitional provisions, which the Sustainability Taskforce considered at the meeting held on 29 May 2025. The Taskforce were supportive of the proposed changes to the tranches of the transitional relief provisions, which provided relief for periods ending on or before 31 December 2026.

During the preparation of the Board papers, Technical Staff considered the application of the transitional provisions (which end on 31 December 2026) and the interaction with the

effective date for sustainability assurance engagements which commences for periods beginning on or after 1 January 2026 and noted this leaves a gap on transitional relief for periods ending before 31 December 2027 (for example, 30 June 2027 or 30 September 2027). As such, amendments were made to extend the relief to periods ending before 31 December 2027.

Technical Staff propose the following revisions to the draft Transitional Provisions for inclusion in the final experts provisions:

~~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 2027<sup>6</sup>, or as at a specific date before 1 January 2027; ~~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 either:
    - 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~~; or
    - undertake such engagements under the extant provisions of the Code.
  - For all other External Expert engagements, the Firm or Network Firm may undertake such engagements under the extant provisions of the Code.
- *Disclosure Obligations Related to Transitional Provisions*

Two respondents did not support the inclusion of the transparency disclosure requirement related to the use of the proposed optional transitional relief, expressing concern that the provision could cause confusion and affect the implementation of the new requirements (as set out at specific comment items 15 and 16 at Agenda Item 7(b)).

Technical Staff note that the IESBA included a global transparency requirement in the transitional provisions for Value Chain Components (VCCs), whereby if the Sustainability Assurance Practitioner has not adopted the provisions relating to VCCs they need to publicly disclose this fact. This was to have transparency to the sustainability assurance client and the market, the independence provisions that have been applied to the sustainability assurance engagement.

Technical Staff are of the view that this principle should apply to the proposed transitional relief provisions and the related transparency disclosure proposed in the Experts ED (ED 02/25).

Technical Staff note that the proposed disclosure in the Experts ED is not a public disclosure, but a disclosure made directly to those charged with governance of the assurance client to clarify which of the two transitional relief provisions will be applied for the sustainability assurance engagement. It is also a temporary transparency measure which, due to the proposed timing, will only impact Group 1 entities and some Group 2 entities (depending on their year-end).

Therefore, Technical Staff are of the view that the proposed transparency disclosure requirement should be retained.

This matter was discussed at the Sustainability Taskforce's meeting on 29 May 2025. The Taskforce had mixed views on the retention of this requirement, with some Taskforce Members believing the disclosure could create confusion, whereas other Taskforce Members supported informing the client of the approach applied.

As such, Technical Staff seek the Board's feedback and views on whether the proposed transparency disclosure requirement should be retained in the final amending standard.

### Other Matters Raised by Respondents

- *Regulatory Coordination and Alignment*

Two respondents encouraged APESB, the AUASB and ASIC to coordinate on sustainability assurance standards to avoid confusion and ensure smooth implementation of the standards.

Technical Staff are of the view that throughout the due process of its exposure drafts, APESB has worked closely with the AUASB to ensure alignment of both ASSA 5000 and the proposed Part 5 of the Code, including consistency in the application of transitional provisions across both pronouncements. This ongoing collaboration helps to ensure alignment between the Auditing Standards and the Ethical Standards.

APESB has also engaged with ASIC and plans to update ASIC staff on the sustainability ethical requirements after the June 2025 Board meeting.

- *Development of Guidance Materials*

Technical Staff note that several respondents requested that APESB develop additional guidance on experts, including the evaluation of external experts' CCO requirements.

Technical Staff is aware that the IESBA is developing guidance material (in the form of Technical Staff FAQs) scheduled for release in July 2025. After the IESBA releases its guidance materials, APESB will consider whether further Australian guidance materials are necessary.

### **Proposed combined Amending Standard and Basis for Conclusions**

Technical Staff have prepared a combined Amending Standard for Sustainability Assurance (AESSA and Expert) and the related Basis for Conclusions, which are considered at Agenda Items 8 (a) and 8 (b) of this Board meeting.

## **Recommendation**

The Board:

- (a) note the submissions received on ED 02/25;
- (b) Provide views and feedback on the proposed retention of the transparency disclosure requirement in the transitional relief provisions; and
- (c) Approve the issue of the Use of Experts provisions (Refer to Agenda Item 8(a) for the Combined Amending Standard on Sustainability and Experts).

## **Materials presented**

Agenda Item 7(a)	General Comments Table ED 02/25
Agenda Item 7(b)	Special Comments Table ED 02/25

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<b>Date:</b>	4 June 2025
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