

**Exposure Draft**  
**January 2024**  
*Comments due: April 30, 2024*

*International Ethics Standards Board  
for Accountants®*

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# Using the Work of an External Expert

**IESBA**

International  
Ethics Standards  
Board for Accountants®

## About the IESBA

The [International Ethics Standards Board for Accountants](#)® (IESBA®) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting high-quality, international ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Along with the [International Auditing and Assurance Standards Board](#) (IAASB), the IESBA is part of the [International Foundation for Ethics and Audit](#) (IFEA). The [Public Interest Oversight Board](#) (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

The structures and processes that support the operations of the IESBA are facilitated by the International Foundation for Ethics and Audit™ (IFEATM).

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## REQUEST FOR COMMENTS

This Exposure Draft, *Using the Work of an External Expert*, was developed and approved by the IESBA.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in the final pronouncement. Comments are requested by **April 30, 2024**.

Respondents are asked to submit their comments electronically through the IESBA website using the "[Submit a Comment](#)" link. Please submit comments in both PDF and Word files. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although the IESBA prefers that comments are submitted via its website, comments can also be sent to Ken Siong, Program and Senior Director, at [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org).

This publication may be downloaded from the IESBA website: [www.ethicsboard.org](http://www.ethicsboard.org). The approved text is published in the English language.

# USING THE WORK OF AN EXTERNAL EXPERT

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## EXPLANATORY MEMORANDUM

### I. Introduction

1. This memorandum provides background to, and an explanation of, the proposed revisions to the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) relating to using the work of an external expert.
2. The IESBA unanimously approved the proposed provisions for exposure at its December 2023 meeting. The proposals include three new sections to the Code addressing using the work of an external expert – proposed Section 390 for professional accountants (PAs) in public practice (PAPPs), proposed Section 290 for PAs in business (PAIBs), and proposed Section 5390 for sustainability assurance practitioners (SAPs). The explanations in this memorandum apply equally to all three proposed new sections, unless otherwise specified.
3. The proposed Section 5390 is an integral part of the Exposure Draft (ED), *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (Sustainability ED)*, and, therefore, should be read in conjunction with that ED.

### II. Background and Overview

#### A. The Impetus for the Project and its Objectives

4. The IESBA's deliberations in developing the revised definition of "engagement team" in the Engagement Team – Group Audits (ET-GA) project raised questions, including from the Public Interest Oversight Board (PIOB), as to whether external experts<sup>1</sup> should be subject to independence requirements in audit and other assurance engagements. The PIOB has observed the growing involvement of experts in areas such as estimates and technology and, in particular, in sustainability. The PIOB has, therefore, commented that it is in the public interest to assess whether the nature of the work of experts and their contribution to the audit/assurance opinion should trigger a requirement for them to be subject to independence requirements, similar to other individuals who are part of the engagement team.<sup>2</sup>
5. In addition, responses to the IESBA's April 2022 strategy survey and the ET-GA ED, feedback from the IESBA's April 2022 Tax Planning Global Roundtables, as well as the IESBA Technology Working Group's Phase 2 fact-finding work recognized the importance of reviewing the ethics, including independence, issues arising from a PA's use of an expert. In particular, comments, observations or questions raised included the following:
  - Whether the role and independence of experts providing sustainability-related services are sufficiently addressed in the Code. It was suggested that the IESBA consider the impact of the increasing use of experts from the Code's perspective, particularly in relation to sustainability-related services.
  - Preparing and presenting financial and, in particular, non-financial information (e.g., sustainability information) often involves the assistance of, or reliance upon, technology experts. The question arose as to the factors PAs should consider to gain confidence that the work of a

<sup>1</sup> External experts are specifically excluded from the definitions of Engagement Team, Audit Team and Assurance Team in the Code because they are not under the direction, supervision and review of the firm.

<sup>2</sup> See page 8 of the PIOB's [November 2022](#) Public Interest Issues List on IESBA Projects.

technology expert was objective and the work of such expert could be used and relied upon to make ethical decisions and whether the Code should serve as a basis for PAs to make such an assessment.

- PAs who are not equipped with the necessary expertise or experience to advise the client or employing organization in certain situations need to rely upon the judgments of other firms or experts with the appropriate competencies. PAs would then need to assume that these firms or experts will operate within a similar ethical framework as the PAs.
6. Further, the IESBA recognized the need to consider the ethics, including independence, implications of:
- PAs in public practice who use the work of experts in providing non-assurance services (NAS).<sup>3</sup>
  - Non-PAs using the work of experts in the context of the development of ethics, including independence, standards for all sustainability assurance practitioners in the proposed Part 5 of the Code.
  - Using experts in sustainability assurance engagements if the Code were to take a framework-neutral approach with respect to the sustainability assurance standards used to perform a sustainability assurance engagement (i.e., not limiting the interoperability of those new standards with just the IAASB's standards).
7. Given this backdrop, in December 2022, the IESBA approved the [project](#) to address the ethics, including independence, considerations relating to the use of all experts, whether employed or externally engaged (i.e., hired) by an employing organization or firm in (a) audit, sustainability, and other assurance engagements, (b) the provision of professional services other than audit and assurance services, and (c) the preparation of financial and non-financial information. A discussion of the IESBA's additional deliberations about the scope of the proposals is set out in Section (II)(C) below.

## **B. Highlights of Proposed Provisions Relating to Using the Work of an External Expert**

8. Using the work of an external expert might create threats to a PA's or SAP's compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care. This is because there might be potential over-reliance on the external expert's work by the PA or SAP, and hence threats to a PA's or SAP's compliance with the fundamental principles might be created if the external expert and its work are not appropriately evaluated.
9. The proposed new sections 390, 290 and 5390,<sup>4</sup> therefore establish an ethical framework to guide PAs in public practice and in business, and SAPs, respectively, in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) for the PA or SAP to use the expert's work for the intended purposes. In particular, if the PA or SAP deems that the external expert is not competent, capable or objective, the Code would prohibit the PA or SAP from using the external expert's work. The proposals also include provisions to guide a PA or SAP in applying the Code's conceptual framework when using the work of an external expert.

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<sup>3</sup> Paragraph 62 of [IESBA Consultation Paper: Proposed IESBA Strategy and Work Plan, 2024 to 2027](#)

<sup>4</sup> For SAPs performing sustainability assurance engagements that meet specific criteria, see [Sustainability ED](#).

10. The proposed provisions have been developed on a principles-based approach so that the Code can remain relevant and fit for purpose as business and market practice evolve, particularly regarding the use of external experts in emerging or developing fields as well as in the context of ongoing rapid transformations in technology.
11. The proposals are set out in three new and different sections of the Code, given that there are differences in considerations and risks related to using an external expert for PAPPs, PAIBs and SAPs.
12. Consistent with any other provisions of the Code, the proposed provisions do not override laws and regulations prevailing in a given jurisdiction. Further, extant paragraph 100.7 A1 of the Code remains applicable, i.e., where a jurisdiction has provisions that differ from or go beyond those in the Code, PAs need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

**C. Deliberations Relating to the Scope of the Project**

13. While developing the proposed provisions, the IESBA deliberated three key issues with respect to the scope as set out below, having regard to the project proposal and stakeholder feedback.

*Whether the Proposed Provisions Should Address the Use of Experts Employed by an Employing organization or Firm (“Internal Experts”)*

14. The IESBA’s deliberations highlighted a number of practical challenges that would arise if the proposed provisions were to address internal experts.
15. In particular, PAIBs often use the work of others internal to the employing organization who have specialized competence in specific fields or areas as defined by their roles and responsibilities. The IESBA considered that it would be unduly burdensome to require a PAIB to undertake the CCO evaluation each time the PAIB needs to rely on the work of experts internal to the organization. This recognizes that to work in their roles as experts in their designated fields or areas, the internal experts can be expected to have satisfied their employing organizations’ recruitment criteria and performance assessment on a periodic basis. The IESBA also noted that for internal experts within an employing organization, such experts are producing information from management’s perspective and, therefore, would not be “objective.”
16. For internal experts employed by a firm whose work is used in an audit or other assurance engagement (and who are not members of the engagement team, audit team, assurance team or sustainability assurance team), the IESBA recognized that such individuals would already be subject to (i) the firm’s quality management or other policies and procedures addressing hiring, competence and resourcing, and (ii) the provisions of the Code as the firm is subject to the Code.
17. Accordingly, IESBA is proposing that the scope of the provisions focus on “external experts” only.

*Whether the Proposed Provisions Should Address the Use of the Work of a Management’s Expert Employed by a Client in an Audit or Other Assurance (Including Sustainability Assurance) Engagement*

18. As noted in the ISA 500 (Revised) Exposure Draft,<sup>5</sup> management may employ or engage experts in fields other than accounting (e.g., actuarial, valuation, engineering, or climate change and

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<sup>5</sup> Proposed International Standard on Auditing (ISA) 500, *Audit Evidence*

sustainability) to obtain information necessary to prepare the financial statements.

19. The IESBA believes that work performed by a management's expert comes from the client's perspective, not unlike information or analyses that management might prepare or produce. In addition, management takes full responsibility for the work of any expert management might use to assist in preparing financial statements or reports.
20. Accordingly, for the PA or SAP, the work of a management's expert is just part of the overall information from management that they consider when providing any professional service. This means that from the perspective of the Code, the objectivity of the management's expert would be regarded as being the same as for any other source of information within the client.
21. Therefore, the proposed Sections 390 and 5390 do not address the use of the work of a management's expert. This is explained in proposed paragraphs 390.4 A4(a) and 5390.4 A4(a).

*Should External Experts Used in an Audit or Other Assurance (Including Sustainability Assurance) Engagement be Independent?*

22. The IESBA initially considered requiring external experts to be independent under the Code when their work has a significant influence on the audit or other assurance engagement ("significant influence test.")
23. At the March-April 2023 IESBA global sustainability roundtables, however, the IESBA heard concerns from many participants about such an approach:
  - It was stressed that it would be the presumptive responsibility of the PA or SAP to ensure that if they intend to use the work of an external expert, such external expert is objective, since the PA or SAP has the ultimate responsibility to sign off on the audit or assurance report.
  - The significant influence test would likely lead to challenges in implementability and enforceability as it introduces a level of subjectivity that would lead to inconsistent application. Further, there were questions as to the reasonableness of such an approach as there is a presumption that the engagement team would only engage an external expert when the subject matter is significant.
  - Unlike firms or assurance practitioners who are subject to the Code, external experts are not in the audit or assurance business. Accordingly, the Code is not enforceable on external experts and external experts would not be expected to have designed and implemented, and be operating, extensive systems of quality management to monitor and oversee compliance with independence requirements across their organizations.
24. The IESBA decided to move away from the concept of a significant influence test under which only a limited number of external experts who meet the "significant influence" threshold would be subject to independence requirements. Instead, considering the public interest, the IESBA determined to broaden the scope of applicability of the proposed provisions to all external experts used in audit or other assurance engagements.
25. The IESBA proposes that the evaluation of external experts in an audit or assurance engagement be performed through the lens of objectivity. The approach additionally requires the PA or SAP to evaluate specified interests, relationships, and circumstances relative to the external expert's objectivity. The IESBA believes that this approach will appropriately address the public interest



expectations concerning external experts, while balancing considerations relating to scalability, proportionality and implementability under the Public Interest Framework.

26. Additional considerations about the approach are set out in Section (V)(A) below.

**D. Interactions with the IESBA’s Sustainability Project**

27. As highlighted in the project proposal, using experts will often be critical in preparing and presenting sustainability information, as well as in the assurance of such information. As such, this project is being progressed in tandem with the Sustainability Project.
28. The IESBA’s [Sustainability Reference Group](#) and Sustainability Work Stream 2 have considered and provided input to the proposals in Section 5390 regarding the use of external experts in sustainability assurance engagements.

**E. IAASB-IESBA Coordination**

29. The development of the proposals was closely coordinated with the International Auditing and Assurance Standards Board (IAASB) to maximize alignment and interconnectivity between the proposals and the IAASB’s standards to the greatest extent possible. In particular, in developing the proposals, the IESBA has endeavored to avoid (a) conflict with ISA 620<sup>6</sup> or other relevant IAASB standards and the ISSA 5000<sup>7</sup> ED, and (b) incorporating provisions relating to the performance of audit or assurance procedures in the proposals versus encapsulating ethics-related considerations. In this regard, IAASB Staff have provided overarching comments and suggestions in relation to the proposals in Section 390.
30. Additionally, the IAASB has included in its Strategy and Work Plan for 2024-2027, a project to consider possible narrow scope amendments to IAASB standards as a result of the finalization of this project. The IAASB will also take into account developments in this project during the finalization of ISSA 5000.

**F. Consideration of Other Stakeholder Inputs**

31. The project has also been informed by feedback from various stakeholders since its inception, including:
- Four global roundtables held in Paris, Sydney, Singapore and New York with over 140 senior-level participants from 84 organizations across a wide range of stakeholder categories.
  - The IESBA Consultative Advisory Group (CAG).
  - The IESBA-National Standard Setters (NSS) Liaison Group.
  - The Forum of Firms (FoF).
  - The IFAC Small and Medium Practices Advisory Group (SMP AG).
  - The International Organization of Securities Commissions Committee 1 Auditing Subcommittee (IOSCO C1).
  - The International Forum of Independent Audit Regulators’ Standards Coordination Working

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<sup>6</sup> ISA 620, *Using the Work of an Auditor’s Expert*

<sup>7</sup> Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

Group (IFIAR SCWG).

- The Committee of European Auditing Oversight Bodies (CEAOB).

### III. Definitions

#### A. Definition of Expertise

32. ISA 620 defines expertise as knowledge, skills and experience.
33. However, the IESBA observed some inconsistency between the definition in ISA 620 and how "expertise *and/ or* experience" is used or referred to in the Code. For example:
- Extant paragraph 120.5 A5: "The accountant's *expertise and experience* are sufficient to reach a conclusion."
  - Extant paragraph R230.3: "A professional accountant shall not intentionally mislead an employing organization as to the level of *expertise or experience* possessed."
34. Furthermore, the IESBA observed that the concept of "experience" in the Code appears to be used as a factor separate from determining whether a PA had sufficient knowledge, training, qualifications, or competence. For example:
- Extant paragraph R115.2: "... A professional accountant shall be honest and truthful and shall not make...exaggerated claims for the services offered by, or *qualifications or experience* of, the accountant..."
  - Extant paragraph 230.3 A1: "The principle of professional competence and due care requires that a professional accountant only undertake significant tasks for which the accountant has, or can obtain, sufficient *training or experience*."
  - Extant paragraph 300.7 A4: "The client has *competent employees with experience* and seniority to make managerial decisions."
  - Extant paragraphs 524.4 A4/924.4 A4: "...Assigning to the audit/assurance team individuals who have *sufficient experience* relative to the individual who has joined the client."
  - Extant paragraph R540.9: "...When a firm has only a few people with the *necessary knowledge and experience* to service as a key audit partner..."
35. The IESBA also considered jurisdictional literature such as [PCAOB AS 1210: Using the Work of an Auditor-Engaged Specialist](#): "A specialist is a person (or firm) possessing *special skill or knowledge* in a particular field other than accounting or auditing."
36. The IESBA further consulted various dictionary definitions of "expert" and noted that those definitions generally do not include the element of experience:

Dictionary	Noun	Adjective
Cambridge	A person with a high level of <i>knowledge or skill</i> relating to a particular subject or activity.	Having or showing a lot of <i>knowledge or skill</i> .
Merriam-Webster	One with the special <i>skill or knowledge</i> representing <i>mastery</i> of a particular subject.	Having, involving, or displaying special <i>skill or knowledge</i> derived from <i>training or experience</i> .

Dictionary	Noun	Adjective
Oxford Languages	A person who has a comprehensive and <i>authoritative knowledge of or skill</i> in a particular area.	Having or involving <i>authoritative knowledge</i> .

37. Accordingly, the IESBA determined to propose a definition of "expertise" that refers only to knowledge and skills. The IESBA's view is that the element of experience is a complementary factor that strengthens confidence in the expert, besides the expert's expertise (knowledge and skills). Furthermore, skills are inherently also developed through experience.
38. The IESBA considered whether consequential amendments are necessary where the term "expertise" is used in conjunction with the term "knowledge" or "skills" in the extant Code. However, the IESBA viewed that in those extant provisions where the terms "knowledge" and "skills" are being referred to, they are used to convey a broader meaning of knowledge or skills (for example, knowledge of the client, industry, etc.) rather than one that is limited to knowledge or skills in a particular field (the definition of expertise).

## B. Definitions of Expert and External Expert

### *Expert*

39. The IESBA proposes to introduce a new definition of "expert" which is broad and anchored relative to the PA's or SAP's competence.
40. This approach recognizes that an expert might need to be used when the PA or SAP lacks sufficient expertise to perform a professional activity or service. The PA or SAP might seek an expert to assist them in such circumstances. The concept of reaching out to others who have the relevant expertise is rooted in the Code. For example, the Code refers to using experts in extant paragraphs 400.11 (in the context of an audit engagement) and 330.5 A1 (in the context of referring a client to an expert). It also refers to consulting with others with expertise, for example, in extant paragraph 120.5 A5.

### *External Expert*

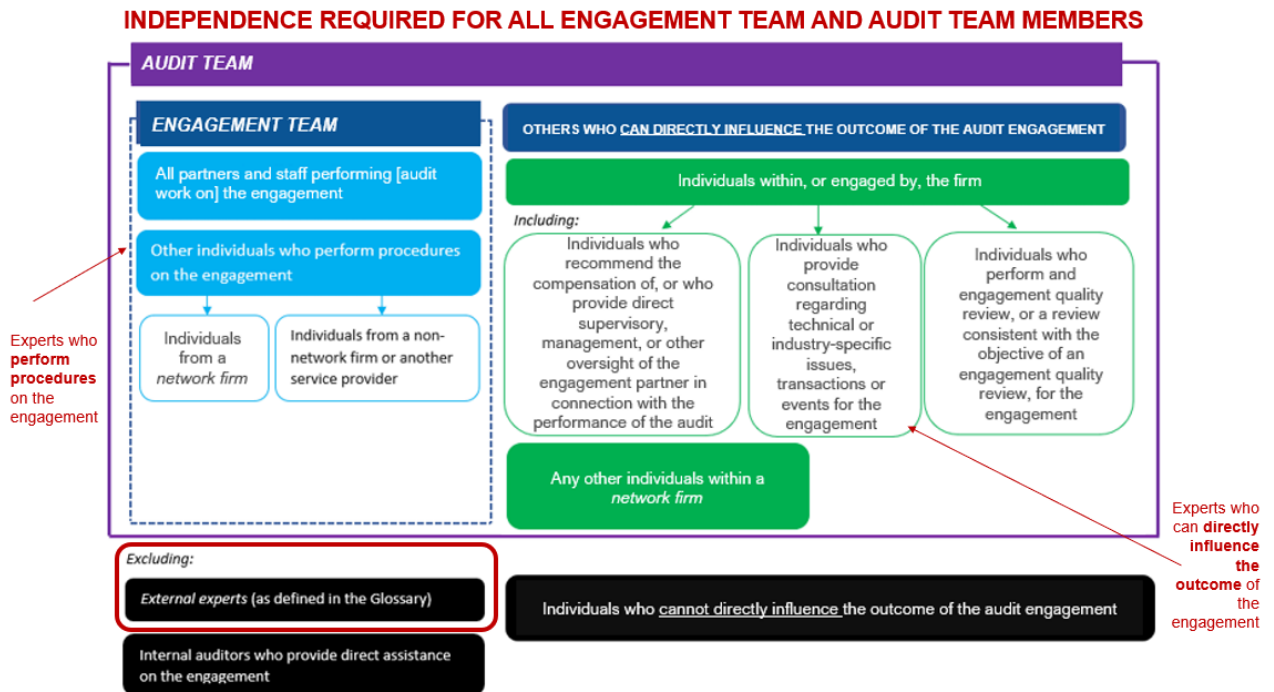
41. The IESBA proposes to revise the extant definition of an external expert<sup>8</sup> to:
- Explicitly refer to external experts who are engaged (i.e., hired) by an employing organization, firm or SAP. This presents a clearer contrast against experts that might be internal to the employing organization or firm.
  - Distinguish between external experts used in an audit engagement vs an assurance (including sustainability assurance) engagement.

See the proposed changes in mark-up in the Glossary.

42. Regarding audit engagements, the IESBA noted the basic expectation for, and conceptual underpinning of, a PA to have expertise in accounting or auditing. Therefore, when an external expert is used in an audit engagement, such external expert's work is used because it consists of expertise outside of accounting or auditing. Accordingly, an external expert is different from:

<sup>8</sup> "An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence."

- Individuals who perform audit procedures (who generally will have audit expertise) who are part of the engagement team (ET) and are subject to independence.
  - Individuals with expertise in accounting or other technical or industry-specific matters who provide consultations. Those individuals are part of the audit team (AT) and are subject to independence.
43. The different roles of experts in an audit engagement are illustrated in a diagram contained in the ET-GA Basis for Conclusions, as set out below:



44. Regarding assurance (including sustainability assurance) engagements, the IESBA noted the basic expectation for, and conceptual underpinning of, a PA or SAP to have expertise in assurance. Therefore, when an external expert is used in an assurance (including sustainability assurance engagement), such external expert's work is used because it consists of expertise outside of assurance. The terms are also aligned with the concepts in the IAASB's auditing and assurance standards and its proposed ISSA 5000.
45. Regarding NAS engagements, an external expert is simply an expert engaged (i.e., hired) by a PA or SAP, who has expertise that is outside the PA's or SAP's competence.

**C. Distinguishing Between AT Members and External Experts**

46. In its deliberations, the IESBA revisited the question of how to distinguish between individuals who are providing consultation regarding technical or industry-specific issues, transactions or events for the engagement versus external experts. The former are audit, assurance, or sustainability assurance team members, as the case may be, and subject to the Code's *independence* requirements. The latter are not but they will be subject to the proposed *ethics* provisions in Sections 390 and 5390, as applicable.
47. The IESBA observes that, in response to the extensive discussions around this question during the

ET-GA project, IESBA Staff have already issued a few questions and answers (Q&As) to address the matter in the IESBA Staff ET-GA Questions & Answers publication.<sup>9</sup>

*AT Members Who Can Directly Influence the Outcome of the Engagement*

48. Additionally, under ISQM 1<sup>10</sup> and ISA 220 (Revised),<sup>11</sup> the outcome resulting from consultation regarding a technical or industry-specific issue, transaction or event for the engagement must be implemented. This is because, as set out in ISQM 1 and ISA 220 (Revised):
- The firm must establish quality objectives that address the performance of quality engagements, including in relation to consultations on difficult or contentious matters, and that such consultations are undertaken and the conclusions agreed are implemented.<sup>12</sup>
  - The engagement partner is required to, among other matters, take responsibility for undertaking appropriate consultation and to determine that the nature and scope of, and conclusion resulting from, such consultations are agreed with the party consulted, and that the conclusion agreed has been implemented.<sup>13</sup>
49. The consultation would, therefore, provide an opinion or advice to enable the PA, assurance practitioner or SAP to reach a conclusion on audit or assurance work they have performed on the particular technical or industry-specific issue, transaction or event. In these circumstances, the IESBA observes that the engagement partner must ensure that the conclusion from the consultation is agreed and implemented but would not be expected to be able to override the opinion or advice received from the party consulted.
50. Therefore, consultations performed as part of applying ISQM 1 and ISA 220 (Revised) directly influence the outcome of the engagement, and individuals who provide such consultations are part of the audit, assurance or sustainability assurance team, as the case may be.

*External Experts*

51. Before the work of an external expert can be used for purposes of an audit or assurance (including sustainability assurance) engagement, the PA needs to perform procedures over such work to determine its sufficiency and appropriateness as evidence. Accordingly, the PA can decide not to use the external expert's work as part of the evidence supporting the audit or assurance opinion.
52. Thus, an external expert cannot directly influence the outcome of an engagement and is, therefore, not part of the audit, assurance or sustainability assurance team.
53. For illustrative purposes, Appendix 1 provides a flowchart to assist stakeholders in distinguishing between AT members and external experts in the context of an audit engagement.

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<sup>9</sup> [ET-GA Q&As](#), questions 8 and 9

<sup>10</sup> International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>11</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>12</sup> ISQM 1, paragraph 31(d)

<sup>13</sup> ISA 220 (Revised), paragraph 35

#### IV. Agreeing the Terms of Engagement

54. With respect to agreeing the terms of engagement with an external expert whose work will be used in an audit or other assurance engagement, the IESBA considered a few stakeholder questions about whether it would be necessary to provide the guidance relating to agreeing the terms of engagement with respect to using the work of an expert, given that the IAASB's standards already address this.
55. Upon due deliberation, the IESBA agreed that such guidance would be appropriate from an ethics perspective. In particular:
- The guidance would facilitate the PA's evaluation of CCO for experts used in NAS and also in the context of sustainability assurance engagements addressed in the proposed Part 5 of the Code and performed by SAPs who might be applying assurance standards other than the IAASB's standards.
  - In the context of an audit or other assurance engagement, it is important to highlight that in agreeing the terms of engagement with the external expert, a PA or SAP should also agree on the expert's provision of information necessary to facilitate the PA's or SAP's evaluation of the expert's objectivity.
56. Taking into account input from IAASB staff, proposed paragraph R390.5 therefore requires the PA to agree the terms of engagement with the external expert *"to the extent not otherwise addressed by law, regulation or other professional standards."* This avoids duplication with law, regulation, or other professional standards such as the IAASB standards which may already address the PA's responsibilities relating to agreeing the terms of engagement with the expert. A similar proposal is contained in paragraph R5390.5 for sustainability assurance engagements addressed in the proposed Part 5 of the Code.
57. Specific to agreeing the terms of engagement with an external expert whose work will be used in a NAS engagement, the IESBA considered a few stakeholder questions as to whether it would also be necessary to agree the provision of information needed from the external expert for NAS engagements to facilitate the evaluation of objectivity under proposed paragraph 390.6 A4.
58. The IESBA's view is that proposed paragraph 390.6 A6 already contains sufficient application material to guide the PA or SAP to obtain information to evaluate the external expert's objectivity in a NAS context. It would not be necessary for the PA or SAP to request information from the external expert for NAS engagements, unlike in an audit or sustainability assurance engagement under proposed paragraphs R390.8 and R5390.8. For example, under proposed paragraphs 390.6 A4 and 390.6 A6, information concerning the external expert's objectivity can be obtained from inquiry or discussion with others and review of published materials.

#### V. Evaluating an External Expert's Competence, Capabilities and Objectivity

##### *Proposed Paragraphs R390.6 to R390.12 and Related Application Material*

59. Proposed paragraph R390.6 requires a PA to evaluate whether the external expert has the necessary CCO. This is conceptually aligned with the existing provisions in ISA 620<sup>14</sup> and ISAE 3000 (Revised).<sup>15</sup> The IESBA believes that whether an external expert has the necessary CCO is also relevant to a

<sup>14</sup> ISA 620, *Using the Work of an Auditor's Expert*

<sup>15</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

PAPP's and PAIB's compliance with the fundamental principles of the Code in performing other professional services (i.e., NAS engagements) and professional activities, respectively.

60. The IESBA notes that, consistent with the application of the conceptual framework, this required evaluation will involve the PA (a) having an inquiring mind, (b) exercising professional judgment, and (c) using the reasonable and informed third party test. In particular, when applying the proposed paragraph R390.6, the PA's exercise of professional judgment would be essential to weigh all the relevant CCO factors against the specific facts and circumstances of the external expert. For example, immaterial and insignificant interests, relationships or circumstances should generally not result in the PA or SAP concluding that the external expert is not objective.
61. Application material in proposed paragraphs 390.6 A2 to A6 provides relevant factors that could be considered in the required evaluation as well as guidance as to where to obtain the information.
62. For external experts used in an audit or other assurance engagement, given the heightened public interest expectations from stakeholders, additional requirements and application material with respect to the evaluation required by proposed R390.6 are set out in proposed paragraphs R390.8 to R390.11 (see proposed paragraph 390.7 A1). See also further discussion in Section (V)(A) below.
63. The IESBA view is that there is no safeguard against threats if an external expert does not satisfactorily pass the CCO evaluation. Accordingly, proposed paragraph R390.12 prohibits a PA from using the external expert's work if:
  - (a) The PA is unable to obtain the information needed for the accountant's evaluation of the external expert's CCO; or
  - (b) The PA determines that the external expert is not competent, capable or objective.
64. Similar provisions are set out in proposed Section 5390 for SAPs in the context of sustainability assurance engagements addressed in the proposed Part 5 of the Code.

#### *Timing of the CCO Evaluation*

65. The IESBA also considered whether the CCO evaluation under proposed paragraphs R390.6 and R390.12 should be concluded before the external expert starts the work (and therefore prior to agreeing to the terms of engagement with the external expert in proposed paragraph R390.5). The IESBA's view is that in practice, it may not be practicable to wait until the CCO evaluation has been completed before engaging the external expert as there may be unavoidable constraints, such as a tight window within which an external expert can complete the work, time needed for the external expert to secure the information requested for the CCO evaluation, etc.
66. Therefore, the IESBA is proposing that the Code does not preclude the external expert from beginning the work while the CCO evaluation proceeds simultaneously, provided that the external expert has agreed to the terms of engagement to provide all the information necessary to facilitate the evaluation. Proposed paragraph R390.6 is drafted in such a way as to allow for that possibility from an operability perspective. This wording is aligned with ISA 620, paragraph 9, "*The auditor shall evaluate whether the auditor's expert has the necessary CCO for the auditor's purposes.*"

#### *Consideration of Safeguards or Exemptions*

67. External experts can be involved in a broad array of fields, ranging from emerging or niche ones to those with more established or generally accepted practices or standards. In addition, the availability

of external experts might vary in different jurisdictions, and some jurisdictions might not have external experts who can satisfactorily pass the CCO evaluation, leading to a limited number or lack of experts who can be used.

68. In this regard, the IESBA deliberated whether any safeguards or exemptions are possible regarding the prohibition on using the work of an external expert if the expert does not satisfactorily pass the CCO evaluation. For example, the IESBA explored whether transparency to relevant stakeholders, such as the users of the audit or assurance report or those charged with governance, might be a safeguard to address the threat of using an external expert who is not objective in an audit or other assurance (including sustainability assurance) engagement.
69. However, the IESBA came to the view that if an external expert is not objective, the work of such expert cannot be used in any professional service or activity. In particular, introducing transparency as a mitigating action against threats to the expert's objectivity could create an "easy out" and shift the burden and responsibility to evaluate the objectivity of the external expert from the PA to stakeholders.
70. The IESBA considers that ultimately, an external expert's competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions or fields with limited experts. The IESBA notes that where it is determined that there are no external experts available in a particular field or jurisdiction, the PA or SAP could consider:
  - Using an expert from another jurisdiction.
  - Consulting with the appropriate regulatory or professional body and ascertain the proper next steps.
71. The IESBA also observed that limitations in the availability of experts are a matter of timing as the market capacity will gradually adjust to meet the demand. Therefore, in finalizing the provisions, the IESBA will consider whether to develop appropriate transitional provisions while being cognizant of the need not to lower the bar regarding an expert's competence, capabilities and objectivity.
72. Finally, in relation to external experts used in an audit or other assurance engagement, a few stakeholders observed that ISA 620, paragraph 13, allows for additional procedures to be performed by the PA or for additional work to be performed by the expert, should the auditor determine that the auditor's expert's work is inadequate for the auditor's purpose. These stakeholders questioned whether, as an alternative to the prohibition under paragraph R390.12, the proposals should also allow for additional procedures to be performed by the PA if the external expert is determined not to satisfactorily pass the CCO evaluation.
73. In this regard and taking into account input from IAASB staff, the IESBA noted that ISA 620 is not explicit on whether the auditor can use the work of an auditor's expert if that expert does not satisfactorily pass the CCO evaluation. Instead, ISA 620, paragraph 13, discusses what the auditor can do if the work of the external expert is not adequate. The IESBA considers that these are two separate issues, one being an ethical issue and the other being a performance matter.
74. Therefore, the IESBA agreed that the proposed prohibition should remain with no qualification. Recognizing stakeholders' heightened expectations in the context of an audit or other assurance engagement, the proposals now explicitly set out the consequence if the external expert does not satisfactorily pass the CCO evaluation. The proposals therefore fill a gap in the Code where there was no guidance previously.



**A. External Experts Used in an Audit or Other Assurance (Including Sustainability) Engagement***Approach*

75. Given the heightened public interest expectations in relation to external experts used in an audit or other assurance (including sustainability) engagement, the IESBA deliberated whether to take an objectivity or independence approach for such experts (see paragraphs 22 to 25).
76. The IESBA concluded to take an objectivity<sup>16</sup> approach given that (i) external experts who are not subject to the direction, supervision and review of the firm will not have systems of quality management in place to monitor and oversee compliance with independence requirements, (ii) it would not be in the public interest for the Code to constrain the supply of external experts by imposing undue cost and burden on such experts to design, implement and operate such systems of quality management, (iii) it is the responsibility of the PA under auditing or assurance standards to be satisfied that if the PA intends to use the work of an external expert, such external expert is objective, and (iv) the Code does not directly apply to external experts, who in the context of their work, are not assurance providers. The IESBA therefore agreed that the onus should be on the PA to evaluate the external expert's objectivity, with the key principle being that a PA should not use the work of an external expert if the expert is not objective.
77. Therefore, to address stakeholders' heightened public interest expectations in relation to external experts used in audit or other assurance engagements, the IESBA proposes an approach that, in addition to the basic evaluation of the objectivity of an external expert in the context of any professional service under proposed paragraphs 390.6 A4 and A6, requires a PA to include specific interests, relationships and circumstances in the evaluation of the external expert's objectivity.
78. More specifically, to strengthen the considerations regarding the external expert's objectivity in an audit or other assurance context:
- Proposed paragraph R390.8 requires the PA to request the external expert to provide, in relation to the entity at which the expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, information about specific interests, relationships and circumstances between the external expert and the entity.
- The information set out in proposed paragraph R390.8(a) to (m) draw from the independence attributes in Parts 4A and 4B of the Code. Overall, apart from bullets (i), (k) and (l), the bullets broadly align with the independence attributes set out in Parts 4A and 4B of the Code. The IESBA is proposing to include bullets (i), (k) and (l) because it believes these are relevant and necessary in order for the PA to be able to evaluate and conclude on the expert's objectivity.
- The IESBA proposes that, after receiving such information, the PA evaluate the expert's objectivity according to proposed paragraph R390.6, as detailed in paragraphs 59 to 64 above.
- Proposed paragraph R390.11 requires the PA to request the expert to disclose, in relation to the period covered by the audit or assurance report and the engagement period, information about interests, relationships or circumstances of which they are aware between the external expert, their immediate family or the external expert's employing organization and the client. For example, this could include:

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<sup>16</sup> Extant paragraph 120.15 A1: "...Independence is linked to the fundamental principles of objectivity and integrity..."

## EXPLANATORY MEMORANDUM

- 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 organization.
- Any interests or relationships of the external expert, their immediate family or the external expert's employing organization with the client and those entities over which it has direct or indirect control.
- Any conflicts of interest the external expert, their immediate family or the external expert's employing organization might have with the client.

The IESBA proposes that, after receiving such information, the PA evaluate the expert's objectivity in accordance with proposed paragraph R390.6, as detailed in paragraphs 59 to 64 above.

This proposed requirement recognizes that if the expert has an interest in, or relationship with, the client, there is a risk that it might influence the expert to produce a 'favorable' result for the entity as the PA will use the expert's work for purposes of the audit or other assurance engagement. The requirement therefore covers all possible interests, relationships and circumstances that might create an unacceptable level of threat to the expert's objectivity.

The proposed requirement also focuses the request on the external expert only (rather than both the expert and the client) to take into account that at times, audit procedures might require that the use of an expert (e.g., for investigative purposes) should be kept confidential and not disclosed to the client. As such, proposed paragraph 390.11 A2 clarifies that in applying paragraph R390.11, there might be situations where the PA might not want to inquire with the client about interests, relationships or circumstances concerning the expert used. However, it also highlights that inquiring with the client is a possible source of information about the matters set out in proposed paragraphs R390.11 and 390.11 A1.

79. If the PA concludes that an external expert is not objective based on the evaluation of these independence attributes, the PA is prohibited from using the work of the external expert (see proposed paragraph R390.12).
80. A similar approach is set out in proposed Section 5390 for SAPs in the context of sustainability assurance engagements addressed in the proposed Part 5 of the Code.
81. The IESBA considered the proposed time period for which the external expert would be required to provide the information, i.e., the period covered by the audit or assurance report and the engagement period, and whether the proposed period should be the period covered by the financial statements and the engagement period as per Parts 4A and 4B. However, the IESBA agreed to retain the proposed period since (i) these proposed sections would also cover engagements other than audits of financial statements, and (ii) there could indeed be circumstances where the period covered by an assurance report would be longer than that covered by the audit report, in particular, for sustainability engagements. It is not intended, however, that the time period for which the external expert provides the information for the evaluation of its objectivity, is longer than the period for which the PA or SAP is required to be independent in an audit or assurance engagement. (See paragraphs R390.8 – R390.11 and R5390.8 – R5390.11.)
82. To facilitate the practical application of these requirements, proposed paragraphs R390.5 and 390.5 A1 set out that a PA, when agreeing the terms of engagement with the external expert, might consider discussing the PA's expectations regarding the expert's objectivity, including information needed from

the expert to facilitate the PA's evaluation of that objectivity. The IESBA believes that this would help mitigate the potential practical challenge of the expert declining to disclose information about relevant interests, relationships or circumstances after the PA has engaged the expert. Thus, if an external expert refuses to disclose such information when the PA and the expert are seeking to agree to the terms of engagement, the PA can determine not to use the work of such expert. A similar approach is proposed in Section 5390 for SAPs.

83. Overall, the IESBA believes that this approach is balanced, proportionate and operable, and will address the public interest expectations concerning external experts used in an audit or other assurance (including sustainability assurance) engagement.

#### *Scalability*

84. Responsive to stakeholder feedback during the development of the proposals, the IESBA considered whether the approach could be delineated for external experts used in an audit or other assurance engagement depending on whether or not the client is a public interest entity (PIE). However, unlike in the context of independence provisions where the Code can set out specific prohibitions pertaining to PIE audit clients versus non-PIE audit clients, the fundamental principle of objectivity cannot differ for different clients given that it concerns ethical behavior.
85. Nevertheless, the IESBA noted that scalability is already built into the objectivity approach set out in the proposed new Section 390 (and its equivalent Section in the proposed Part 5) as that approach is scaled based on the nature of the engagement (i.e., whether it is an audit or other assurance, including sustainability assurance, engagement) and the PA's evaluation of the expert's interests, relationships and circumstances.

#### *Expectations for the External Expert*

86. In the context of applying these requirements, the IESBA does not expect that an external expert must set up, or have in place, a system of quality management similar to that expected for a firm or assurance practitioner. As noted above, the IESBA does not believe that this would be operable or enforceable. For example, where a PA requests an external expert to disclose any direct financial interest or material indirect financial interest held by the external expert, their immediate family, or the external expert's employing organization in the entity at which the expert is performing work, the IESBA does not expect the external expert to set up an internal monitoring process on the financial interests of all of these parties. Instead, with due notice when agreeing the terms of engagement, the expert is afforded the opportunity to take the appropriate steps, in good faith, to gather the necessary information to disclose to the PA.

#### **B. Consideration of the External Expert's Team**

87. In developing the proposals, the IESBA heard questions from various stakeholders about how the proposals would interact with an external expert's team and organization.
88. The proposed new definition of an external expert pertains to an individual only. In applying the proposed provisions, the PA's evaluation of the expert's CCO is envisioned to be conducted with respect to the individual who oversees the expert work. This takes into account that an expert might have a supporting team (which might include other experts) and that it would be the expert's responsibility to determine what support from the team is needed to perform the work.

89. However, as set out in proposed paragraph R390.9, specifically for external experts used in an audit or other assurance engagement, the IESBA is of the view that objectivity must be evaluated for all individuals on a team that an expert uses to perform the work. This approach recognizes stakeholders' heightened expectations concerning the external expert and any supporting team. It is also consistent with the applicability of the Part 4 independence provisions to all AT members.

### **C. General Principle Relating to the Evaluation of Objectivity**

90. The IESBA's view is that the direct threat to the expert's objectivity generally arises from the interests, relationships or circumstances with the entity at which the expert is performing work. Requiring the objectivity of an external expert concerning entities at which the expert is not performing work would be unduly onerous, especially considering that such an expert might not even have systems of quality management in place to monitor such interests, relationships and circumstances. Accordingly, the provisions concerning evaluating the external expert's objectivity focus on the entity at which the expert is performing work.
91. However, the IESBA also notes that certain interests, relationships or circumstances held by the external expert's organization or external expert's immediate family in the entity at which the external expert is performing the work could impact the external expert's objectivity. In applying the proposals, the PA would then need to exercise professional judgment when taking into account such interests, relationships or circumstances involving the expert's immediate family or at the organizational level in evaluating whether the external expert is objective (see, in particular, proposed paragraphs 390.6 A4, R390.8 and 390.11 A1). A similar approach is taken in the proposed Section 5390 for SAPs.

## **VI. Other Considerations**

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

92. Proposed paragraph 390.13 A1 explains that threats to compliance with the fundamental principles might still be created from using the work of an external expert even if a PA has satisfactorily concluded that the external expert has the necessary CCO for the PA's purpose.
93. Application material in proposed paragraphs 390.14 A1, 390.15 A1 and 390.16 A1 to A2 contains guidance with respect to identifying, evaluating and addressing threats to the PA's compliance with the fundamental principles when using the work of an external expert.
94. The IESBA notes that the examples of actions to address identified threats listed in proposed paragraphs 390.16 A1 to A2 are not in relation to the evaluation of an external expert's CCO. The examples of actions that might be safeguards as set out in proposed paragraph 390.16 A2 are in relation to threats that might be created when a PA uses the work of an external expert, for example, the threats set out in proposed paragraph 390.14 A1.
95. Finally, in accordance with proposed paragraph 390.1, the IESBA noted that where there are no actions that can eliminate identified threats or safeguards that can reduce the level of the threats to an acceptable level, the PA must decline or end the professional service or activity in accordance with paragraph R120.10(c).
96. Similar considerations are set out in proposed Section 5390 with respect to SAPs performing sustainability assurance engagements addressed in the proposed Part 5 of the Code.

**B. Communicating with Those Charged with Governance and Documentation**

97. The IESBA deliberated various views regarding the use of the term “encourage” in proposed paragraphs 390.20 A1 and 390.21 A2 addressing communication with those charged with governance (TCWG) and documentation, respectively. The views ranged from, on the one hand, an encouragement being too weak from an enforcement perspective to, on the other hand, the proposed provisions on communication with TCWG and documentation not being needed as (i) they are already covered in the provisions for audit and other assurance engagements in the Code, and (ii) it would be challenging from a NAS perspective.
98. The IESBA agreed to retain the two proposed paragraphs as they are generally consistent with how the Code addresses matters of communication with TCWG and documentation in the context of professional services, where the provisions are also encouragements and not requirements. Furthermore, the IESBA considers that such guidance would be helpful for SAPs who are non-PAs in the context of sustainability assurance engagements addressed in the proposed Part 5.

**C. Using the Work of Others**

99. During the development of the proposals, various stakeholders have questioned whether information provided by third-party data providers or other sources of information is work performed by an expert.
100. The IESBA’s view is that individuals or organizations that provide datasets for general purposes, or other general sources of information, are not within the scope of the proposals. Such individuals or organizations include, for example:
- 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. This is explained in proposed paragraph 390.4 A4(b).
- The IESBA recognizes that there might be experts within organizations that provide information for general use (e.g., valuations that involve proprietary knowledge). The IESBA, however, considers that such experts are not in the scope of the proposed sections as the PA or SAP does not engage them to use their expertise to perform bespoke work.
- Those within employing organizations or firms (e.g., IT teams) dealing with matters relating to the use of technology and data governance, including maintaining data privacy.
  - Management’s experts (i.e., in the context of ISA 500, ISAE 3000 (Revised), and proposed ISSA 5000).
  - Those who provide sustainability certifications with no assurance elements, and where the PA or SAP is not using the certifications as work to be relied upon as sufficient appropriate evidence in an audit or other assurance engagement.
101. Concerning whether there should be additional guidance developed with respect to using the work of others, the IESBA observed that:
- Extant paragraphs R220.7 and 220.7 A1 already provide guidance on using the work of others.
  - Extant Part 3 of the Code does not address using the work of others. However, extant paragraphs R220.7 to 220.7 A1 are still relevant in Part 3 as a result of the applicability provisions in the Code (i.e., paragraphs R120.4 and R300.5).

- Using the work of others is outside the remit of this project.

102. The IESBA has proposed clarification that the work of experts does not constitute the work of others in the proposed consequential amendments to Section 220 (see proposed paragraph 220.7 A1).

#### **D. Using the Output of Technology**

103. The IESBA also observed the increasing use of certain generative artificial intelligence (AI) tools (e.g., ChatGPT) to generate responses to prompts or questions. The responses can take the form of coherent and seemingly authoritative statements or answers.

104. The IESBA's view is that such uses of the output of the technology do not amount to using the work of an expert. AI is not an expert as it does not possess the expertise to exercise judgment, interpret the inputs and outputs, and be accountable for them.

105. This view is supported by the development of various government regulations around the development and use of AI systems, e.g., the EU's [regulatory framework](#) for developing and using AI systems. The Technology Working Group's Phase 2 Report also highlights the impacts and risks of using AI's output, including bias, misinformation, disinformation, etc.

106. In this regard, the recently approved [technology revisions to the Code](#) guide a PA through the decision-making process when determining whether to use the output of technology (including AI). Such revisions build on concepts in the extant Code that are also relevant, for example, being aware of bias and having an inquiring mind.

### **VII. Additional Considerations for Part 2 – PAIBs**

107. The IESBA noted that most of the provisions detailed in the proposed new Section 390 are equally applicable to PAIBs who intend to use external experts to support their work. As such, the proposed new Section 290 is equivalent to the proposed new Section 390 except for the following areas in relation to evaluating an external expert's CCO:

- The requirements and application material for "audit or other assurance engagements" in proposed Section 390 are not included in the proposed Part 2 equivalent section as they are not applicable.
- The application material added in the proposed Part 2 equivalent section to explain what "other interests" might be in the context of factors that are relevant in evaluating the objectivity of the external expert used by a PAIB. Such other interests are distinct to PAs in business as drawn from the extant Code Section 240.

### **VIII. Additional Considerations for Part 5 – Sustainability Assurance**

#### **A. Another Practitioner**

108. The IESBA considered whether the use of "another practitioner" in a sustainability assurance engagement who is not under the direction, supervision and review of the SAP is similar to the use of an external expert who is also not under the direction, supervision and review of the SAP.

109. The IESBA observed that the function and expertise of another practitioner and those of an external expert are fundamentally different. The former performs assurance work, whilst the latter does not. See further explanatory details in the [Sustainability ED](#).

**B. Use of External Experts Across the Sustainability Value Chain**

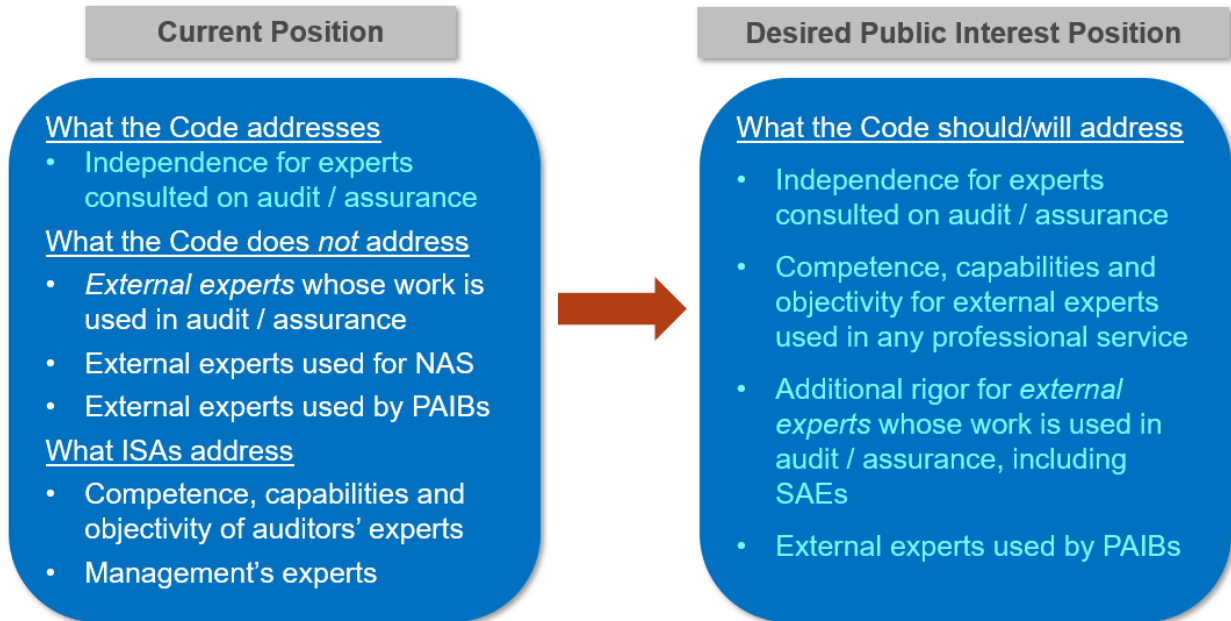
110. The IESBA's view is that the general principle regarding [evaluating objectivity](#) remains applicable. The evaluation refers to the entity at which the practitioner performs work.
111. In some circumstances, such entity might be different from the entity that engaged the practitioner (e.g., such entity could be a supplier in the value chain that is outside the organizational boundary of the entity that engaged the practitioner, or such entity could be a related entity of the entity that engaged the practitioner in a group sustainability assurance engagement).
112. Specifically for the Part 5 equivalent to proposed Section 390, the IESBA considered whether to expand the scope of the evaluation of objectivity to the client's value chain. On due reflection, the IESBA believes this would be neither practicable nor manageable. For example, a particular supplier within a client's value chain might also be the supplier to many other entities. Such supplier might then become inundated with numerous requests to provide information about interests, relationships and circumstances involving an external expert with its customers. Whether such a supplier would even respond would be outside the control of the practitioner, client or entity at which the expert is performing work.
113. Accordingly, the IESBA has proposed that the scope of the evaluation of objectivity remains as set out in proposed Section 5390 for sustainability assurance engagements.

**C. External Experts who are also Sustainability Assurance Practitioners**

114. Various stakeholders have questioned whether the proposals would address circumstances where an assurance provider also acts as an expert on a specific subject matter for the same entity, which might arise when there is a limited number of experts in the field or area regarding such subject matter. This means that the assurance provider is also providing a NAS in its capacity as an expert to the same entity.
115. In such a situation, the self-review threat provisions of the equivalent NAS section in the independence standards within the proposed Part 5 would cover the circumstance where an expert also acts as an assurance provider on a specific subject matter.

## IX. Analysis of the Overall Impact of the Proposed Changes

116. The IESBA believes that these proposals will serve the public interest as they will set a global benchmark for (i) how to evaluate the competence, capabilities and objectivity of external experts from an ethical perspective, and (ii) how to identify, evaluate and address the threats that might be created when using the work of an external expert. The diagram below illustrates the desired public interest position that the proposals are intended to achieve:



117. The IESBA further considers that the proposals meet the key characteristics of the Public Interest Framework as follows:

- Comprehensiveness, due to the development of a comprehensive ethical framework based on the Code's conceptual framework that covers the use of external experts in audit and other assurance (including sustainability assurance) engagements, NAS, as well as for PAIBs.
- Scalability, due in particular to the proportionality in the evaluation of objectivity, taking into account the nature of the engagement, and applying greater rigor to evaluate objectivity against independence attributes for external experts in an audit and other assurance context.
- Clarity, due to the clear distinction among internal, external and management's experts.
- Implementability, due to the focus on the evaluation of objectivity by a PA/non-PA practitioner versus imposition of independence requirements on external experts in an audit or other assurance context that would be burdensome, inoperable and unenforceable on the external experts.
- Enforceability, due to the clear requirements for PAs/non-PA practitioners.

118. Given the nature and extent of the proposed revisions to the Code, the IESBA believes that some of the proposals are of a level that would entail significant changes to the policies and procedures for PAPPs and assurance practitioners, including firms and SMPs. Such changes may result in increased costs. The nature and significance of those costs will depend on the particular circumstances. As with any changes to the Code, PAPPs, assurance practitioners, NSS and others with responsibilities for adoption and implementation can expect implementation costs associated with awareness and



training initiatives, translation where needed, and, where applicable, maintenance costs with respect to updating internal policies and methodologies.

**X. Project Timetable and Effective Date**

119. The indicative timeline for the completion of the Use of Experts project is set out below. This timeline takes into account a 90-day comment period for the ED and is aligned with the timeline for the Sustainability project.

Indicative Timing	Milestone
April 30, 2024	<ul style="list-style-type: none"> <li>• Closing date for comments to the ED</li> </ul>
June 2024	<ul style="list-style-type: none"> <li>• Preliminary highlights of ED responses to IESBA</li> </ul>
September–October 2024	<ul style="list-style-type: none"> <li>• Full review of ED responses and first-read post-exposure with IESBA</li> <li>• Outreach to stakeholders</li> </ul>
December 2024	<ul style="list-style-type: none"> <li>• IESBA approval of final pronouncement</li> </ul>
2025	<ul style="list-style-type: none"> <li>• Roll-out and implementation support</li> </ul>

**XI. Guide for Respondents**

120. The IESBA welcomes comments on all matters addressed in this ED, but especially those identified in the Request for Specific Comments below. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this ED, it will be helpful for the IESBA to be made aware of this view.

**A. Request for Specific Comments**

*Glossary*

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

*Evaluation of CCO for all Professional Services and Activities*

2. Do respondents support the approach regarding evaluating an external expert's competence, capabilities and objectivity? Are there other considerations that should be incorporated in the evaluation of CCO specific to PAIBs, PAPPs and SAPs? See Section V.
3. Do respondents agree that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work? See paragraphs 67 to 74.

*Evaluation of CCO for Audit or Other Assurance Engagements*

4. In the context of an audit or other assurance (including sustainability assurance) engagement, do respondents agree that the additional provisions relating to evaluating an external expert's

objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts? If not, what other considerations would help to address the heightened public interest expectations? See Section (V)(A).

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

5. Do respondents support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert? Are there other considerations that should be included? See Section (VI)(A).

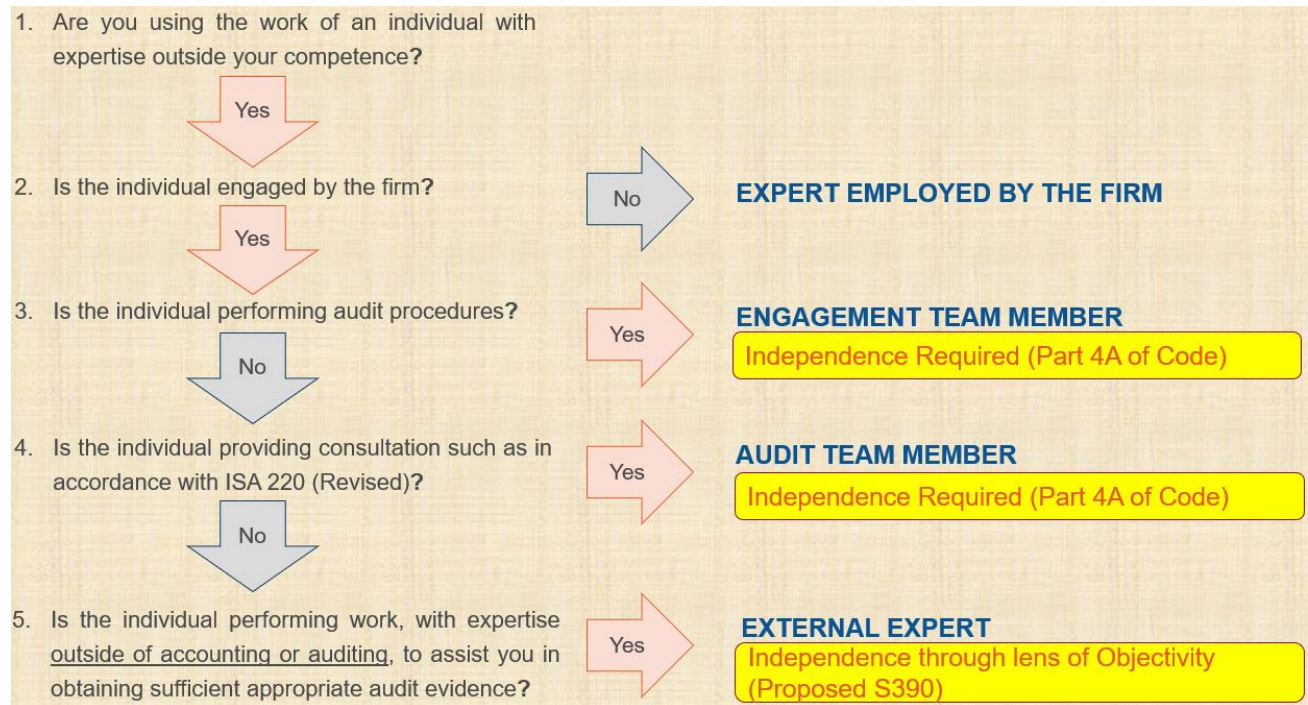
**B. Request for General Comments**

121. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

- *Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)* – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.
- *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.
- *Sustainability Assurance Practitioners Other than Professional Accountants* – The IESBA invites comments on the clarity, understandability and usability of the proposals from SAPs outside of the accountancy profession who perform sustainability assurance engagements addressed in the proposed Part 5 of the Code.
- *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.
- *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

## Appendix 1: Flowchart for Experts Used in an Audit Engagement

The following flowchart sets out the different questions PAs should ask when they are using an expert in the context of an audit engagement:



Please see following page for flowchart setting out questions for “expert employed by the firm.”

The following flowchart sets out the different questions that PAs should ask when they are using an expert employed by the firm in the context of an audit engagement:



# EXPOSURE DRAFT: USING THE WORK OF AN EXTERNAL EXPERT

## SECTION 220 (MARK UP FROM EXTANT)\*

### PREPARATION AND PRESENTATION OF INFORMATION

...

### Requirements and Application Material

#### General

...

#### Using the Work of Others

**R220.7** A professional accountant who intends to use the work of others, whether internal or external to the employing organization, or other organizations, shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

220.7 A1 For the purposes of this section, the work of others excludes the work of an external expert. When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 290 apply.

220.7 A~~2~~<sup>4</sup> Factors to consider when a professional accountant intends to use the work of others include:

- The reputation and ~~expertise-competence~~ of, and resources available to, the other individual or organization.
- 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 organization.

...

\* Mark-Up from [2023 Version of the International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) incorporating approved pronouncements effective in December 2024, i.e., the [technology-related revisions](#) and [revisions to the definitions of listed entity and public interest entity](#), as well as the [revisions relating to the definition of engagement team and group audits](#) in the Code which are already effective.

## PROPOSED SECTION 290

### USING THE WORK OF AN EXTERNAL EXPERT

#### Introduction

- 290.1 Professional accountants 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 Using the work of 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 professional accountant performs a professional activity for which the accountant 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 service.
- 290.4 A3 An external expert might be used to undertake specific work to support a professional activity performed by a professional accountant. 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, jewelry, 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, 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 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 laws and regulations, tax treaties and bilateral agreements.
  - Assessment and evaluation of IT systems, including those related to cybersecurity.
- 290.4 A4 This section does not apply to the use of information provided by individuals or organizations that are external information sources for general use. They include, for example, 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 professional accountant has identified an external expert to use for a professional activity, the accountant 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 professional accountant might discuss with the external expert include:

- The intended use and timing of the external expert's work.
- The external expert's general approach to the work.
- Expectations regarding confidentiality of the external expert's work and the inputs to that work.
- The expected content and format of the external expert's completed work, including any assumptions made and limitations to that work.
- Expectations regarding the external expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the employing organization, or those working for or under the direction of the employing organization, of which the external expert becomes aware when performing the work.

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

**R290.6** The professional accountant shall evaluate whether the external expert has the necessary competence, capabilities and objectivity for the accountant's purpose.

290.6 A1 A self-interest, self-review or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a professional accountant uses an external expert who does not have the competence, capabilities or objectivity to deliver the work needed for the particular professional activity.

290.6 A2 Factors that are relevant in evaluating the competence of the external expert 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 and, if so, whether the external expert is in good standing.
- Whether the external expert's work is subject to professional standards issued by a recognized 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 for the professional accountant's employing organization or other clients.

- 290.6 A3 Factors that are relevant in evaluating the capabilities of the external expert include:
- The resources available to the external expert.
  - Whether the external expert has sufficient time to perform the work.
- 290.6 A4 Factors that are relevant in evaluating the objectivity of the external expert include:
- 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.
  - Whether the external expert or their employing organization has a conflict of interest or other interests in relation to the work the external expert is performing at the entity.
  - Whether the professional accountant knows or is aware of any bias that might affect the external expert's work.
  - Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work.
- 290.6 A5 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.
- 290.6 A6 Examples of previous judgments made or activities performed by an external expert or their employing organization 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 for the entity which is then used by the external expert in performing the work or is the subject of that work.
- 290.6 A7 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 professional accountant's employing organization 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 recognized publisher or in a recognized journal or other medium.
  - Published records, such as legal proceedings involving the external expert.
  - Inquiry of management of the employing organization 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 organization or the entity.



- The internal controls, policies and procedures of the professional accountant's employing organization.

**R290.7** The professional accountant shall not use work of the external expert if:

- (a) The accountant is unable to obtain the information needed for the accountant's evaluation of the external expert's competence, capabilities and objectivity; or
- (b) The accountant determines that the external expert is not competent, capable or objective.

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

290.8 A1 Threats to compliance with the fundamental principles might still be created from using the work of an external expert even if a professional accountant has satisfactorily concluded that the external expert has the necessary competence, capabilities and objectivity for the accountant's purpose.

#### *Identifying Threats*

290.9 A1 Examples of facts and circumstances that might create threats to a professional accountant's compliance with the fundamental principles when using an external expert's work include:

- (a) Self-interest threats
  - A professional accountant has insufficient expertise to understand and explain the external expert's conclusions and findings.
  - A professional accountant has undue influence from, or undue reliance on, the external expert or multiple external experts when performing a professional activity.
  - A professional accountant has insufficient time or resources to evaluate the external expert's work.
- (b) Advocacy threats
  - A professional accountant promotes the use of an external expert who has known bias towards conclusions potentially advantaging or disadvantaging the employing organization.
- (c) Familiarity threats
  - A professional accountant has a close personal relationship with the external expert.
- (d) Intimidation threats
  - A professional accountant feels pressure to defer to the external expert's opinion due to the external expert's perceived authority.

#### *Evaluating Threats*

290.10 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 professional accountant's engagement.
- The nature of the professional activity for which the external expert's work is intended to be used.
- The professional accountant'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 professional accountant'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 employing organization 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*

290.11 A1 An example of an action that might eliminate a familiarity threat is identifying a different external expert to use.

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

- Consulting with qualified personnel within the employing organization who have the necessary expertise and experience 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 employing organization additional time or resources to complete the activity.

#### **Other Matters**

##### *External Experts in Emerging Fields or Areas*

290.12 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.

290.12 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 professional accountant 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.

*Using the Work of Multiple External Experts*

**R290.13** When a professional accountant uses the work of more than one external expert in the performance of a professional activity, the accountant shall consider whether, in addition to the threats that might be created by using each external expert individually, the combined effect of using the work of the external experts might create additional threats or impact the level of threats.

*Inherent Limitations in Evaluating an External Expert's Competence, Capabilities or Objectivity*

290.14 A1 Paragraph R113.3 sets out communication responsibilities for the professional accountant with respect to limitations inherent in the accountant's professional activities. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.

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

290.15 A1 The professional accountant is encouraged to communicate with management, and where appropriate, 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 accountant and the external expert in the performance of the professional activity.
- Any threats to the accountant's compliance with the fundamental principles created by using the external expert's work and how they have been addressed.

*Documentation*

290.16 A1 The professional accountant is encouraged to document:

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

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## SECTION 320 (MARK UP FROM EXTANT)\* PROFESSIONAL APPOINTMENTS

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### Requirements and Application Material

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#### Using the Work of an Expert

~~R320.10~~ When a professional accountant intends to use the work of an expert in the course of undertaking a professional activity, the accountant shall determine whether the use is appropriate for the intended purpose.

~~320.10 A1~~ Factors to consider when a professional accountant intends to use the work of an expert include:

- ~~• The reputation and expertise of, and the resources available to, the expert.~~
- ~~• Whether the expert is subject to applicable professional and ethics standards.~~

~~Such information might be gained from prior association with, or from consulting others about, the expert.~~

...

#### Other Considerations

320.11~~2~~ A1 When a professional accountant is considering using the ~~work of experts or the~~ output of technology, a consideration is whether the accountant is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

320.11 A2 When a professional accountant intends to use the work of an expert, the requirements and application material set out in Section 390 apply.

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\* Mark-Up from [2023 Version of the International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) incorporating approved pronouncements effective in December 2024, i.e., the [technology-related revisions](#) and [revisions to the definitions of listed entity and public interest entity](#), as well as the [revisions relating to the definition of engagement team and group audits](#) in the Code which are already effective.

## **PROPOSED SECTION 390**

### **USING THE WORK OF AN EXTERNAL EXPERT**

#### **Introduction**

- 390.1 Professional accountants 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 Using the work of 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.

#### **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 professional accountant performs a professional service for which the accountant 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 professional accountant. 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, jewelry, 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, 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 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 laws and regulations, tax treaties and bilateral agreements.
  - Assessment and evaluation of IT systems, including those related to cybersecurity.

390.4 A4 This section does not apply to:

- (a) 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; and
- (b) The use of information provided by individuals or organizations that are external information sources for general use. They include, for example, 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**

#### *All Professional Services*

**R390.5** If the professional accountant has identified an external expert to use for a professional service, the accountant shall, to the extent not otherwise addressed by law, regulation or other professional standards, agree the terms of engagement with the external expert, including:

- (a) The nature, scope and objectives of the work to be performed by the external expert; and
- (b) In the context of audit or other assurance engagements, the provision of information needed from the external expert for purposes of assisting the accountant's evaluation of the external expert's competence, capabilities and objectivity.

390.5 A1 In agreeing the terms of engagement, matters that the professional accountant might discuss with the external expert include:

- The intended use and timing of the external expert's work.
- The external expert's general approach to the work.
- Expectations regarding confidentiality of the external expert's work and the inputs to that work.
- The expected content and format of the external expert's completed work, including any assumptions made and limitations to that work.
- Expectations regarding the external expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the client, or those working for or under the direction of the client, of which the external expert becomes aware when performing the work.

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

#### *All Professional Services*

**R390.6** The professional accountant shall evaluate whether the external expert has the necessary competence, capabilities and objectivity for the accountant's purpose.

390.6 A1 A self-interest, self-review or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a professional

accountant uses an external expert who does not have the competence, capabilities or objectivity to deliver the work needed for the particular professional service.

- 390.6 A2 Factors that are relevant in evaluating the competence of the external expert 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 and, if so, whether the external expert is in good standing.
  - Whether the external expert's work is subject to professional standards issued by a recognized 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 for the professional accountant's firm or other clients.
- 390.6 A3 Factors that are relevant in evaluating the capabilities of the external expert include:
- The resources available to the external expert.
  - Whether the external expert has sufficient time to perform the work.
- 390.6 A4 Factors that are relevant in evaluating the objectivity of the external expert include:
- 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.
  - Whether the external expert or their employing organization has a conflict of interest in relation to the work the external expert is performing at the entity.
  - Whether the professional accountant knows or is aware of any bias that might affect the external expert's work.
  - Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work.
- 390.6 A5 Examples of previous judgments made or activities performed by an external expert or their employing organization 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 for the entity which is then used by the external expert in performing the work or is the subject of that work.
- 390.6 A6 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 professional accountant'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 recognized publisher or in a recognized 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 professional accountant's firm.

*Audit or Other Assurance Engagements*

390.7 A1 Stakeholders have heightened expectations regarding the objectivity of an external expert whose work is used in an audit or other assurance engagement. Therefore, paragraphs R390.8 to R390.11 set out further actions in evaluating the objectivity of an external expert in an audit or other assurance engagement pursuant to paragraph R390.6.

**R390.8** The professional accountant shall request the external expert to provide, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, information about:

- (a) Any direct financial interest or material indirect financial interest held by the external expert, their immediate family, or the external expert's employing organization in the entity;
- (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 organization, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;
- (c) Any loan, or a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization 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 a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization 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 organization, as applicable, and the entity;
- (e) Any close business relationship between the external expert, their immediate family, or the external expert's employing organization 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 organization, as applicable, and the entity or its management;

- (f) Any previous or current engagements between the external expert or their employing organization and the entity;
- (g) How long the external expert and their employing organization have been associated with the entity;
- (h) Any position 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, or the records underlying such information:
  - (i) Held by the external expert or their immediate family;
  - (ii) Held or previously held by the external expert; or
  - (iii) Held or previously held by management of the external expert's employing organization;
- (i) Any previous public statements by the external expert or their employing organization which advocated for the entity;
- (j) Any fee or contingent fee or dependency on fees or other types of remuneration due to or received by the external expert or their employing organization from the entity;
- (k) Any benefits received by the external expert, their immediate family or the external expert's employing organization from the entity;
- (l) Any conflict of interest the external expert or their employing organization might have in relation to the work the external expert is performing at the entity; and
- (m) The nature and extent of any interests and relationships between the controlling owners of the external expert's employing organization and the entity.

**R390.9** Where the external expert uses a team to carry out the work, the professional accountant shall request the external expert to have all members of the external expert's team provide the information set out in paragraph R390.8, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period.

**R390.10** The professional accountant shall request the external expert to communicate any changes in facts or circumstances regarding the matters set out in paragraph R390.8 that might arise during the period covered by the audit or assurance report and the engagement period.

**R390.11** Where the client is not the entity at which the external expert is performing the work, the professional accountant shall also request the external expert to disclose, in relation to the period covered by the audit or assurance report and the engagement period, information about interests, relationships or circumstances of which they are aware between the external expert, their immediate family or the external expert's employing organization and the client.

390.11 A1 Examples of interests, relationships or circumstances between the external expert and the client that might be included in the evaluation of the external expert's objectivity include:

- 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 organization.

- Any interests or relationships of the external expert, their immediate family or the external expert's employing organization with the client and those entities over which it has direct or indirect control.
- Any conflicts of interest the external expert, their immediate family or the external expert's employing organization might have with the client.

390.11 A2 Information about interests, relationships or circumstances between an external expert or their employing organization 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.

*All Professional Services*

**R390.12** The professional accountant shall not use the work of the external expert if:

- (a) The accountant is unable to obtain the information needed for the accountant's evaluation of the external expert's competence, capabilities and objectivity; or
- (b) The accountant determines that the external expert is not competent, capable or objective.

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

*All Professional Services*

390.13 A1 Threats to compliance with the fundamental principles might still be created from using the work of an external expert even if a professional accountant has satisfactorily concluded that the external expert has the necessary competence, capabilities and objectivity for the accountant's purpose.

*Identifying Threats*

390.14 A1 Examples of facts and circumstances that might create threats to a professional accountant's compliance with the fundamental principles when using an external expert's work include:

- (a) Self-interest threats
  - A professional accountant has insufficient expertise to understand and explain the external expert's conclusions and findings.
  - A professional accountant has undue influence from, or undue reliance on, the external expert or multiple external experts when performing a professional service.
  - A professional accountant has insufficient time or resources to evaluate the external expert's work.
- (b) Advocacy threats
  - A professional accountant promotes the use of an external expert who has known bias towards conclusions potentially advantaging or disadvantaging the client.
- (c) Familiarity threats
  - A professional accountant has a close personal relationship with the external

expert.

(d) Intimidation threats

- A professional accountant feels pressure to defer to the external expert's opinion due to the external expert's perceived authority.

*Evaluating Threats*

390.15 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 professional accountant's engagement.
- The nature of the professional service for which the external expert's work is intended to be used.
- The professional accountant'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 professional accountant'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 professional accountant'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*

390.16 A1 An example of an action that might eliminate a familiarity threat is identifying a different external expert to use.

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

- Consulting with qualified personnel who have the necessary expertise and experience 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*

- 390.17 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.
- 390.17 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 professional accountant 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.

### *Using the Work of Multiple External Experts*

- R390.18** When a professional accountant uses the work of more than one external expert in the performance of a professional service, the accountant shall consider whether, in addition to the threats that might be created by using each external expert individually, the combined effect of using the work of the external experts might create additional threats or impact the level of threats.

### *Inherent Limitations in Evaluating an External Expert's Competence, Capabilities or Objectivity*

- 390.19 A1 Paragraph R113.3 sets out communication responsibilities for the professional accountant with respect to limitations inherent in the accountant's professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.

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

- 390.20 A1 The professional accountant is encouraged to communicate with management, and where appropriate, 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 accountant and the external expert in the performance of the professional service.
  - Any threats to the accountant's compliance with the fundamental principles created by using the external expert's work and how they have been addressed.

### *Documentation*

- 390.21 A1 The professional accountant is encouraged to document:
- The results of any discussions with the external expert.

EXPOSURE DRAFT

- The steps taken by the accountant to evaluate the external expert's competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the accountant in using the external expert's work and the actions taken to address the threats.

## **PROPOSED 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 Using the work of 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.

#### **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, jewelry, 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, 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 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 laws and regulations, tax treaties and bilateral agreements.
  - Assessment and evaluation of IT systems, including those related to cybersecurity.
  - The accounting for specific matters such as financial instruments or carbon credits.

5390.4 A4 This section does not apply to:

- (a) 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; and
- (b) The use of information provided by individuals or organizations that are external information sources for general use. They include, for example, 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**

#### *All Professional Services*

**R5390.5** If the sustainability assurance practitioner has identified an external expert to use for a professional service, 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:

- (a) 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, the provision of information needed from the external expert for purposes of assisting the practitioner's evaluation of the external expert's competence, capabilities and objectivity.

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 general approach to the work.
- Expectations regarding confidentiality of the external expert's work and the inputs to that work.
- The expected content and format of the external expert's completed work, including any assumptions made and limitations to that work.
- Expectations regarding the external expert's communication of any non-compliance or suspected non-compliance with laws and regulations committed by the sustainability assurance client, or those working for or under the direction of the client, of which the external expert becomes aware when performing the work.

### **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, capabilities and objectivity for the practitioner's purpose.

5390.6 A1 A self-interest, self-review 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 competence, capabilities or objectivity to deliver the work needed for the particular professional service.

5390.6 A2 Factors that are relevant in evaluating the competence of the external expert 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 and, if so, whether the external expert is in good standing.
- Whether the external expert's work is subject to professional standards issued by a recognized 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 for the sustainability assurance practitioner's firm or other clients.

5390.6 A3 Factors that are relevant in evaluating the capabilities of the external expert include:

- The resources available to the external expert.
- Whether the external expert has sufficient time to perform the work.

5390.6 A4 Factors that are relevant in evaluating the objectivity of the external expert include:

- 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.
- Whether the external expert or their employing organization has a conflict of interest in relation to the work the external expert is performing at the entity.
- Whether the sustainability assurance practitioner knows or is aware of any bias that might affect the external expert's work.
- Whether the external expert will evaluate or rely on any previous judgments made or activities performed by the external expert or their employing organization in undertaking the work.

5390.6 A5 Examples of previous judgments made or activities performed by an external expert or their employing organization 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 for the entity which is then used by the external expert in performing the work or is the subject of that work.

5390.6 A6 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 recognized publisher or in a recognized 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.

#### *Sustainability or Other Assurance Engagements*

5390.7 A1 Stakeholders have heightened expectations regarding the objectivity of an external expert whose work is used in a sustainability or other assurance engagement. Therefore, paragraphs R5390.8 to R5390.11 set out further actions in evaluating the objectivity of an external expert in a sustainability or other assurance engagement pursuant to paragraph R5390.6.

**R5390.8** The sustainability assurance practitioner shall request the external expert to provide, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the assurance report and the engagement period, information about:

- (a) Any direct financial interest or material indirect financial interest held by the external expert, their immediate family, or the external expert's employing organization in the entity;
- (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 organization, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;
- (c) Any loan, or a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization 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 a guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization 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 organization, as applicable, and the entity;
- (e) Any close business relationship between the external expert, their immediate family, or the external expert's employing organization 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 organization, as applicable, and the entity or its management;

- (f) Any previous or current engagements between the external expert or their employing organization and the entity;
  - (g) How long the external expert and their employing organization have been associated with the entity;
  - (h) Any position 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, or the records underlying such information:
    - (i) Held by the external expert or their immediate family;
    - (ii) Held or previously held by the external expert; or
    - (iii) Held or previously held by management of the external expert's employing organization;
  - (i) Any previous public statements by the external expert or their employing organization which advocated for the entity;
  - (j) Any fee or contingent fee or dependency on fees or other types of remuneration due to or received by the external expert or their employing organization from the entity;
  - (k) Any benefits received by the external expert, their immediate family or the external expert's employing organization from the entity;
  - (l) Any conflict of interest the external expert or their employing organization might have in relation to the work the external expert is performing at the entity; and
  - (m) The nature and extent of any interests and relationships between the controlling owners of the external expert's employing organization and the entity.
- R5390.9** 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 the information set out in paragraph R5390.8, in relation to the entity at which the external expert is performing the work and with respect to the period covered by the assurance report and the engagement period.
- R5390.10** The sustainability assurance practitioner shall request the external expert to communicate any changes in facts or circumstances regarding the matters set out in paragraph R5390.8 that might arise during the period covered by the assurance report and the engagement period.
- R5390.11** Where the sustainability assurance 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 disclose, in relation to the period covered by the assurance report and the engagement period, information about interests, relationships or circumstances of which they are aware between the external expert, their immediate family or the external expert's employing organization and the client.
- 5390.11 A1 Examples of interests, relationships or circumstances between the external expert and the sustainability assurance client that might be included in the evaluation of the external expert's objectivity include:

- 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 organization.
- Any interests or relationships of the external expert, their immediate family or the external expert's employing organization with the sustainability assurance client and those entities over which it has direct or indirect control.
- Any conflicts of interest the external expert, their immediate family or the external expert's employing organization might have with the sustainability assurance client.

5390.11 A2 Information about interests, relationships or circumstances between an external expert or their employing organization 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.

*All Professional Services*

**R5390.12** The sustainability assurance practitioner shall not use the work of the external expert if:

- (a) The practitioner is unable to obtain the information needed for the practitioner's evaluation of the external expert's competence, capabilities and objectivity; or
- (b) The practitioner determines that the external expert is not competent, capable or objective.

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

*All Professional Services*

5390.13 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*

5390.14 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 performing a professional service.
  - A sustainability assurance practitioner has insufficient time or resources to evaluate the external expert's work.
- (b) 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.

(c) Familiarity threats

- A sustainability assurance practitioner has a close personal relationship with the external expert.

(d) Intimidation threats

- A sustainability assurance practitioner feels pressure to defer to the external expert's opinion due to the external expert's perceived authority.

*Evaluating Threats*

5390.15 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 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*

5390.16 A1 An example of an action that might eliminate a familiarity threat is identifying a different external expert to use.

5390.16 A2 Examples of actions that might be safeguards to address threats include:

- Consulting with qualified personnel who have the necessary expertise and experience 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*

5390.17 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.

5390.17 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.

### *Using the Work of Multiple External Experts*

**R5390.18** When a sustainability assurance practitioner uses the work of more than one external expert in the performance of a professional service, the practitioner shall consider whether, in addition to the threats that might be created by using each external expert individually, the combined effect of using the work of the external experts might create additional threats or impact the level of threats.

### *Inherent Limitations in Evaluating an External Expert's Competence, Capabilities or Objectivity*

5390.19 A1 Paragraph R5113.3 sets out communication responsibilities for the sustainability assurance practitioner with respect to limitations inherent in the practitioner's professional services. When using the work of an external expert, such communication might be especially relevant when there is a lack of information to evaluate the external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.

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

5390.20 A1 The sustainability assurance practitioner is encouraged to communicate with management, and where appropriate, 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 sustainability assurance 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*

5390.21 A1 The sustainability assurance practitioner is encouraged to document:

- The results of any discussions with the external expert.
- 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.

**PROPOSED NEW GLOSSARY DEFINITIONS**

Expert	An individual possessing expertise that is outside the professional accountant's or sustainability assurance practitioner's competence. Where appropriate, the term also refers to the individual's organization.
Expertise	Knowledge and skills in a particular field.

...

**GLOSSARY (MARK UP FROM EXTANT)\***

External Expert	<p><u>An expert engaged by a professional accountant's employing organization or firm, or by a sustainability assurance practitioner.</u></p> <p><u>In the context of audit engagements, An expert individual</u> (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) <del>or organization</del> possessing <del>expertise skills, knowledge and experience</del> in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate <u>audit</u> evidence.</p> <p><u>In the context of assurance engagements, including sustainability assurance engagements, An expert individual</u> (who is not <u>an engagement leader</u>, a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) <del>or organization</del> possessing <del>expertise skills, knowledge and experience</del> in a field other than <del>assurance accounting or auditing</del>, whose work in that field is used to assist the professional accountant <u>or sustainability assurance practitioner</u> in obtaining sufficient appropriate evidence.</p> <p><u>External experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team.</u></p> <p><u>Sections 290, 390 and 5390 set out the requirements and application material addressing the use of the work of an external expert.</u></p>
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\* Mark-Up from [2023 Version of the International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) incorporating approved pronouncements effective in December 2024, i.e., the [technology-related revisions](#) and [revisions to the definitions of listed entity and public interest entity](#), as well as the [revisions relating to the definition of engagement team and group audits](#) in the Code which are already effective.

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**International  
Ethics Standards  
Board for Accountants®**

529 Fifth Avenue, New York, NY 10017  
T + 1 (212) 286-9344 F +1 (212) 286-9570  
[www.ethicsboard.org](http://www.ethicsboard.org)