

30 April 2024

Mr Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, New York 10017 USA

Submitted via IESBA website

Dear Mr Siong

### **IESBA Exposure Draft Using the Work of an External Expert**

The Institute of Public Accountants Group (IPA) welcomes the opportunity to comment on IESBA's Exposure Draft *Using the Work of an External Expert*. IPA acknowledges that the proposed revisions to the IESBA *Code of Ethics for Professional Accountants (including International Independence Standards)* are an enabling aspect of the proposed introduction of *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) and commends the IESBA for developing the proposed revisions under a relatively compressed timeframe.

The IPA Group is generally supportive of the approach taken by IESBA to update the IESBA *Code of Ethics for Professional Accountants (including International Independence Standards)*. Our comments on the Request for Specific Comments are in the Attachment.

If you have any queries concerning our comments or require further information, please do not hesitate to contact Erik Hopp at [erik.hopp@publicaccountants.org.au](mailto:erik.hopp@publicaccountants.org.au).

Yours sincerely



Vicki Stylianou  
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### **About the IPA Group**

The IPA Group is a peak professional accounting association with over 50,000 members and students in over 100 countries. The Group consists of the IPA in Australia and the IFA in the UK. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. In 2023, the IPA celebrated its centenary year and looks forward to contributing to the future prosperity of our members and the profession.

# Attachment

## IPA Group Comments on Request for Specific Comments – IESBA Exposure Draft Using the Work of an External Expert

### General Comments

The IPA Group (IPA) is generally supportive of the approach taken by IESBA to update the IESBA *Code of Ethics for Professional Accountants (including International Independence Standards)*.

IPA is supportive of all changes proposed in the Exposure Draft subject to the below comments.

### Request for Specific Comments

#### *Glossary*

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

Subject to the below comments, IPA is generally supportive of the proposed definitions of “expertise”, “expert” and “external expert”.

Prior to finalising the definition of “expertise”, IESBA should continue to work in close consultation with the IAASB to ensure the adopted definition does not cause any operative issues with the definition used in IFAC International Standard on Auditing ISA 620 *Using the Work of an Auditor’s Expert*. IPA believes a consistent definition should be used by both the IESBA and the IAASB to facilitate the auditor’s application of the respective requirements of both standards.

Application of the proposed definition of “expertise” in practice may raise unacceptable risks for professional accountants where an expert lacks sufficient experience despite possessing a high level of knowledge or skills in their field of expertise. For example, a highly academically qualified expert with little industry experience across a broad range of industries and varying scales of business may not be fit to be an expert for a particular client despite meeting dictionary definitions.

IPA agrees that the element of experience is a complementary factor that strengthens confidence in the expert and that skills are inherently also developed through experience. However, certain expert engagements will necessitate a higher range of experience than other engagements.

Small and medium sized entities are likely to need guidance and tools to assist in applying the proposed definitions of “expertise”, “expert” and “external expert”.

### ***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?**

Subject to the below comments, IPA conceptually agrees with the competence, capabilities and objectivity (CCO) evaluation of an external expert.

In practice, professional accountants in small and medium-sized environments are likely to struggle with making a CCO evaluation of an external expert. IPA encourages IESBA to develop guidance and tools to assist the application of this proposed requirement, especially in assessing objectivity in practice.

A professional accountant may not always be in a position to assess an external expert's objectivity at the time of engagement or prior to the issuance of the expert's engagement output. It is unclear for what period of time the external expert need to remain objective. Similarly, can an auditor continue to rely on the engagement output of the external expert in a situation where they learn the external expert has subsequently been engaged in an event or transaction that may now impair a third party's perception of the external expert's objectivity? For example, where an external expert has subsequently been engaged by the audit client or has acquired a significant financial interest in the audit client after completing their expert report to be relied on by the professional accountant. In this context, there may be some merit in constraining the objectivity assessment to the date the external expert signs their engagement output.

- 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?**

Subject to the comments made in response to question 2, IPA generally supports this proposal.

In the context of limitations in the availability of experts for emerging market services (eg sustainability reporting, sustainability assurance services), IPA encourages IESBA to develop appropriate transitional provisions to support the integrity of the revised Code.

### ***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?**

Subject to the comments made in response to questions 1 and 2, IPA generally supports this proposal.

### ***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?**

Subject to the comments made in response to questions 1 and 2, IPA generally supports this proposal.