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Mr. Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York, NY 10017

**GAO's Response to the International Ethics Standards Board for Accountants' Exposure Draft, *Using the Work of an External Expert*, January 2024**

Dear Mr. Siong:

This letter provides GAO's comments on the International Ethics Standards Board for Accountants' (IESBA) exposure draft, *Using the Work of an External Expert*. GAO promulgates generally accepted government auditing standards, which provide professional standards for auditors of government entities in the United States.

We support the IESBA's efforts to revise its standards for using external experts, particularly with regard to sustainability assurance reporting. In our responses, we identify areas and make suggestions that we believe will enhance the proposed standard. We suggest the following:

- Adding a requirement that the professional accountant request that the external expert provide information regarding any additional relationships or circumstances in relation to the entity where the expert is performing the work that may be relevant in considering the expert's objectivity.
- Including the self-review and management participation threats in the proposed standard that would be relevant in situations where the external expert had a previous relationship with the entity.

The IESBA seeks comment on five specific questions. Our responses to the questions follow in the enclosure to this letter.

Thank you for the opportunity to comment. If you have questions about this letter or would like to discuss any of our responses, please contact me at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov).

Sincerely,

James R. Dalkin  
Director  
Financial Management and Assurance

Enclosure

## Enclosure

### Responses to Questions on the International Ethics Standards Board for Accountants' Exposure Draft, *Using the Work of an External Expert*

## Glossary

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

We support including definitions for “expert” and “expertise” in the proposed standard. However, in our view, the proposed definition of “external expert” is potentially confusing within the wording related to “assurance engagements” because an “audit engagement” is a type of assurance engagement (see bolded language below). The proposed standard defines “external expert” as:

An expert engaged by a professional accountant’s employing organization or firm, or by a sustainability assurance practitioner.

**In the context of audit engagements**, an expert (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) possessing expertise in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate audit evidence.

**In the context of assurance engagements**, including sustainability assurance engagements, an expert (who is not an engagement leader, a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) possessing expertise in a field other than assurance, whose work in that field is used to assist the professional accountant or sustainability assurance practitioner in obtaining sufficient appropriate evidence.

The International Auditing and Assurance Standards Board’s (IAASB) International Standards on Auditing (ISA) define an assurance engagement as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.” Because an “audit” is a type of assurance engagement, we suggest that the definition of external expert be modified to “**In the context of other types of assurance engagements**, including sustainability assurance engagements” to better distinguish between audit (examination) engagements and other types of assurance engagements.

We agree that an external expert is separate from members of the engagement team. This is similar to the distinction made for an auditor’s *external* expert and auditor’s *external* specialist in the definitions of “auditor’s expert” and “auditor’s specialist” in ISA 620, *Using the Work of an Auditor’s Expert* and American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards (AU-C) 620, *Using the Work of an Auditor’s Specialist*, respectively. This is also similar to the definition of a “specialist” in GAO’s generally accepted government auditing standards (GAGAS) paragraph 1.27p, which defines a specialist as “an individual or organization possessing special skill or knowledge in a particular field other than accounting or auditing that assists auditors in conducting engagements. A specialist may be either an internal specialist or an external specialist.”

## 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?**

We generally agree with the proposed approach regarding evaluating an external expert's competence, capabilities, and objectivity (CCO) for all professional services for which such an expert is used, as required by proposed paragraph R390.6 in the section, *Evaluating the External Expert's Competence, Capabilities, and Objectivity* in the exposure draft.

### **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?**

We agree that as required by proposed paragraph R390.12, if an external expert is not competent, capable, or objective, the expert's work should not be used.

## 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?**

We generally agree with proposed provisions in paragraphs R390.6 and R390.8 relating to evaluating an external expert's objectivity. However, we believe that proposed paragraph R390.8 should include an additional requirement beyond those listed in items (a) through (m), which lists information that the professional accountant will request from the external expert in relation to the entity at which the expert is performing the work that could affect the expert's objectivity. We suggest adding a requirement that the professional accountant request that the external expert provide information regarding any additional relationships or circumstances in relation to the entity at which the expert is performing the work that may be relevant in considering the expert's objectivity.

We also believe that the proposed standard should include application material guiding the auditor to consider whether to obtain a written representation from the auditor's external expert about any interests or relationships with the entity of which that expert is aware, consistent with ISA 620, paragraph A20, and AU-C 620, paragraph A21.

We believe that the proposed paragraph 390.6 A5 should be revised. Proposed paragraph 390.6 A5 states that a self-review threat to the external expert's objectivity *might* be created if the expert "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." However, we believe that such a scenario *would* create a significant self-review threat to the external expert's independence or objectivity, which would require the application of safeguards to eliminate or reduce the threats to an acceptable level. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level.

We also believe that the proposed standard should contain a requirement that in cases where professional accountants or sustainability assurance providers determine that threats to an

external expert's objectivity require the application of safeguards, they should document the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.

### **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?**

We generally support the provisions that guide professional accountants or sustainability assurance providers in applying the conceptual framework when using the work of an external expert to identify and evaluate threats to the expert's objectivity and apply safeguards to eliminate the threats or reduce them to an acceptable level.

However, we believe that in addition to the discussion of the self-review threat in paragraphs 390.6 A5 and 5390.6 A5, the management participation threat should also be discussed. The management participation threat could be particularly relevant in situations where the external expert had a previous relationship with the entity.

In addition, in cases where professional accountants or sustainability assurance providers determine that the threat to objectivity is significant, we believe that the standard should require that they document the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.