



## USING THE WORK OF AN EXTERNAL EXPERT

Issued 29 April 2024

ICAEW welcomes the opportunity to comment on the exposure draft on Using the Work of an External Expert published by the International Ethics Standards Board for Accountants on 29 January 2024, a copy of which is available from this [Link](#).

This ICAEW response of 29 April 2024 has been prepared by the Reputation and Influence department, and reflects consultation with ICAEW technical committees including the Ethics Standards Committee, the Sustainability Committee, the Practice Committee, the Technical and Practical Audit Committee and other representatives of the Audit and Assurance Faculty. The Ethics Standards Committee is responsible for ICAEW policy on ethics issues and related submissions to legislators, regulators and other external bodies.

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## KEY POINTS

1. ICAEW is supportive of IESBA's efforts to ensure that any experts used by Professional Accountants and other Sustainability Assurance Practitioners are competent, capable and objective.
2. We consider it important to ensure that international standards and guidance are aligned wherever possible. As such, the provisions relating to experts should cover both internal and external experts to align with the approach used in ISA 620 and ISSA 5000.
3. We consider that the definition of "expertise" used in the Glossary, should include reference to "experience" as one of the criteria for how expertise should be assessed.
4. We have concerns about the apparent overly binary nature of the assessment of a potential expert's competence, capability and objectivity. We would prefer explicit reference to a more nuanced approach and the inclusion of an "exceptional circumstances" exemption.
5. We have reservations about the extent of disclosures required of potential experts and the period to which such disclosures relate. We are concerned that the impact of such disclosures will require implementation of sophisticated quality management systems which may deter potential experts and smaller organisations from participating in the sustainability assurance market.

### General support for the proposals

6. ICAEW recognises the heightened public interest in ensuring that sustainability related information is assured to the highest standards and the increasingly important role played by experts in this regard. We recognise that this is a particular issue for mid-tier and smaller practices, that may have limited in-house expertise. We are keen to ensure that any provisions relating to audit and assurance engagements promote the development of a flourishing and competitive market for a broad range of practitioners. As such, and as a general principle, we are supportive of IESBA's attempts to ensure that any experts used by Professional Accountants and other Sustainability Assurance Practitioners are competent, capable and objective. However, sustainability assurance is a complex and emerging specialism. Whilst the use of experts by Professional Accountants and other Sustainability Assurance Practitioners helps improve the quality of assurance, the pool of available experts in a new specialism is not unlimited. We consider it important, therefore, that the proposals set out by IESBA should not create unnecessary impediments to the use of experts. Such impediments might impact negatively on the quality of sustainability assurance generally, which is not conducive to the public interest.

### Importance of ensuring that international standards and guidance are aligned

7. We consider it most important to ensure alignment with international standards and guidance wherever possible. In particular, we consider that any potential conflicts between the IESBA Code and ISA 620 should be avoided, in order to avoid confusion for Professional Accountants, and potentially, the operation of a different standard in practice for Sustainability Assurance Practitioners who are not Professional Accountants. Whilst we note the reasons set out by IESBA in the Explanatory Memorandum accompanying the Exposure Draft as to why these proposals are intended to refer only to use of external experts. However, we note that the approach taken by the IAASB in ISA 620 and proposed ISSA 5000 is to refer to both internal and external experts, and we consider that there is merit in adopting this latter approach.

### Definition of Expertise

8. We have misgivings about the proposed definition of "expertise" as set out in the Exposure Draft glossary. As noted above, sustainability is an emerging and complex specialism. There may be areas in this specialism which are not yet the subject of defined academic curricula or qualification. Therefore, we consider that it would be prudent to include "experience", as

well as “knowledge and skills”, as one of the categories that may contribute to the “expertise” possessed by a potential expert. We note that paragraph 6 (b) of the current version of ISA 620 (revised) sets out the definition of expertise thus: “Expertise-skills, knowledge and experience in a particular field.” We would encourage IESBA to adopt this definition.

### Concerns about the apparent binary nature of the prohibition

9. We have concerns in relation to those provisions of the Exposure Draft which create a prohibition on the use of a potential expert, in circumstances where that individual is deemed to have failed an initial assessment of competence, capability and objectivity. As a general principle, we agree that any expert who is not competent, capable or objective should not be instructed by a Professional Accountant or Sustainability Assurance Practitioner; and that it would not be in the public interest to do so. However, we consider that the proposed new paragraphs 290.7(b); 390.12 (b); and R5390.12 should make it explicitly clear that the assessment of an expert’s competence, capability and objective is not necessarily an initial or one-off binary assessment. Further qualifications or experience might be obtained, and measures could be put in place to enhance capability, for example.
10. An assessment of a potential expert’s competence, capability and objectivity necessarily requires the application of judgement by the Professional Accountant or Sustainability Assurance Practitioner. Therefore, we consider that a more explicit and nuanced threats and safeguards approach would be more beneficial in terms of both practical application by the profession, and in the public interest.
11. Under a nuanced approach, where concerns about a proposed expert’s competence, capability and objectivity are identified on initial assessment, it would be permissible for the Professional Accountant or Sustainability Assurance Practitioner to put in place mitigations that would apply appropriate safeguards (including by instructing a combination of experts) that would enable the output of an expert’s work (in whole or in part) to be used. We consider that such an approach would satisfy the heightened public expectations concerning the reliability of sustainability assurance information. Indeed, ICAEW considers that such a nuanced approach would ensure greater alignment with the provisions of ISA 620 and help promote consistency by the profession in the assessment of a potential expert’s competence, capability and objectivity.
12. We also consider that there is merit in considering the inclusion of an “exceptional circumstances” provision, to allow for circumstances in which there is only a very limited pool of potential experts available and where potential concerns about objectivity may be addressed by putting mitigations in place.

### Disclosures to be made by potential experts

13. We also have reservations about the extent of information that a potential expert may be required to disclose (including that related to his or her family) as part of the exercise to assess competence, capability and objectivity. We are not convinced that the provisions of the proposed new R290.6 A2; R390.8; and R5390.8 are fully workable in practice. We query whether the period covered by these required disclosures is proportionate. Rather than covering the period referred to in the report and the engagement, it might be more proportionate to confine disclosures to the period covered by the report only.
14. We consider that further application material would be helpful to assist Professional Accountants and other Sustainability Assurance Practitioners to gauge the effect of any positive disclosures on the objectivity of a potential expert, and to make clear the expectations required of instructing firms.
15. More holistically, however, we are concerned that the combined effect of extensive disclosures, and the period to which these disclosures must apply, might have the unintended consequence of reducing the pool of potential experts available to be instructed. We note that firms wishing to instruct potential experts in relation to sustainability assurance matters will necessarily have to put in place sophisticated quality management systems, to

ensure that such extensive disclosure requirements are fully complied with. Implementing such systems will necessarily have a cost and might potentially create a barrier to smaller SME/SMPs wishing to enter the sustainability assurance market.

16. In relation to the heightened public sensitivity pertaining to audits and assurance engagement, we consider there is merit including application material counselling against “opinion shopping” by the Professional Accountant or other Sustainability Assurance Practitioner.

**REQUEST FOR SPECIFIC COMMENTS****A. GLOSSARY**

**Q1. 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.**

17. We have reservations about the proposed definition of “expertise” in the glossary. In particular, we are surprised that the definition does not include “experience” as one of the criteria against which expertise is to be judged.
18. As a general point, we would encourage IESBA to ensure that any definitions relating to experts in the Code are aligned with the provisions of ISA 620. We note that paragraph 6(b) of the current version of ISA 620 (revised) sets out the definition of expertise thus: “Expertise—skills, knowledge and experience in a particular field.”
19. We note that sustainability is a complex and emerging field. There may be areas in this specialism which are not yet the subject of defined academic curricula or qualification. Therefore, we consider that it would be prudent to include “experience” as well as “knowledge and skills”, as one of the categories that contribute to the “expertise” possessed by a potential expert.
20. This approach appears to be explicitly endorsed in paragraphs 390.17.A2 and 5390.17.A2; and is implied by the 5th bullet point in the list of factors set out in proposed paragraphs 290.6.A2; 390.6.A2; and 5390.6.A2
21. We consider that it would be helpful to confirm explicitly whether or not sub-contractors are included within the definition of an expert.

**Q2(A) Do respondents support the approach regarding evaluating an external expert's competence, capabilities and objectivity?**

22. As a point of principle, we agree that the competence, capability and objectivity of a potential expert must be assessed before the work of that expert can be relied upon; and that any individual who is assessed as not being competent, capable or objective should not be instructed as an expert.
23. However, we are concerned that the provisions set out in the exposure draft appear to imply that the assessment of an individual's competency, capability and objectivity is to be viewed as a one-off binary assessment.
24. In practice, we consider that this assessment is more of a continuous exercise, and that it would be helpful to consider adopting a more nuanced approach in the IESBA Code.
25. Such an approach would include identifying potential threats to an individual's competency, capability and objectivity; and identifying whether there are appropriate mitigations that can be put in place which might enable all (or potentially part) of an expert's report to be used (possibly in conjunction with the use of other experts).
26. We note that this is the approach that appears to have been adopted by the IESBA in relation to using the work of another practitioner in the context of Sustainability Assurance Engagements, as set out in paragraph 100 of the Explanatory Memorandum to the Exposure Draft on Proposed International Independence Standards for Sustainability Assurance (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.

**Q2(B) Are there other considerations that should be incorporated in the evaluation of CCO specific to PAIBs, PAPPs and SAPs? See Section V.**

27. The provisions as drafted necessarily require the Professional Accountant and other Sustainability Assurance Practitioners to take a subjective view as to the Competence, Capability and objectivity of the proposed expert. In this regard, it would be helpful to include

provisions requiring Professional Accountants and other Sustainability Assurance Practitioners to obtain a signed declaration from any instructed expert stating that the expert was aware of the relevant requirements; that they consider themselves to be competent and capable; and have been objective when performing the work and producing any subsequent report.

28. In relation to the last bullet in proposed Sections 290.5.A1; 390.5.A1; and 5390.5.A1, it might be helpful to include reference to expectations of the expert (including ownership and production of working documents and drafts of reports) in the event of litigation. In the particular context of the UK, experts giving evidence in court proceedings owe a duty to the Court and not to the party instructing them.

**Q3 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.**

29. As a general principle, we agree that where a potential expert is deemed not to be competent, capable or objective (CCO), they should not be instructed.
30. However, as stated above, we consider that in practice the process of determining whether a person is CCO -and therefore suitable to act as an expert- is not necessarily a binary assessment. We therefore recommend that the provisions should allow for a more nuanced approach.
31. Further, we consider that there may be some jurisdictions, sectors or specialisms in which there is only a very limited pool of experts available; or circumstances such as those implied by the wording of proposed Section 390.19.A1.
32. In such circumstances, we consider that there is merit in IESBA considering the inclusion of an “exceptional circumstances” provision, particularly as regards objectivity.
33. This might be to the effect that where there is a limited pool and a risk that none of the members of this pool would be deemed to be CCO, transparency declarations or other mitigations might be employed to mitigate threats arising out of the use of an expert in this situation.
34. We note that the IESBA proposals do not appear to be fully consistent with the approach adopted by IAASB in ISA 620, which does not absolutely preclude the use experts where they are deemed not to be competent, capable or objective. Rather, ISA 620 requires consideration of the output of the expert in such circumstances and the existence of appropriate safeguards, which might include factors such as expert’s profession, regulation and legislation.
35. Other relevant factors might include the extent and sophistication of any quality management system employed by the expert in doing the work and producing a report; as well as the weight to be attributed to the expert’s contribution and expressed opinion, in the overall assurance context of the engagement.

**Evaluation of CCO for Audit or Other Assurance Engagements**

**Q4(A) 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?**

36. ICAEW agrees that there is a heightened public interest in ensuring that all experts used in audit and/or assurance engagements are determined to be CCO and that additional provisions may be required.
37. However, we consider that any provisions should be proportionate to the perceived risk. We are concerned that extensive list of disclosures required in proposed new Section R390.8 may prove difficult to comply with in practice. Potential Experts in the field of sustainability

assurance say, may not wish to have their financial affairs and those of their family put into the public domain.

38. We query whether the proposed period to be covered by the financial disclosures is proportionate. Proposed Section R390.8 refers to the “period covered by the audit or assurance report and the engagement period.”
39. We consider that the operative period should be the period covered by the report alone.
40. Further, we consider that those seeking to act as experts will be required to invest in sophisticated quality management systems to ensure that they can comply fully with the extensive disclosures required. In turn, firms will be reliant on experts to provide accurate independence confirmations, as they will be limited in their ability to corroborate evidence received from the experts. As such, there needs to be clear expectations on firms as to the actions that they are required to take upon receipt of such disclosures. Further application material on how to weigh up the effect of a positive disclosure of matters identified in proposed new Section R390.8 would be helpful.
41. Taken together, however, we are concerned that these provisions may have the unintended consequence of dissuading persons to act as experts; thereby limiting choice of available experts and contributing to a potential decline in the quality of assurance.

***Q4(B) If not, what other considerations would help to address the heightened public interest expectations? See Section (V)(A).***

42. In relation to the heightened public expectations regarding the objectivity of experts used in audit and other assurance engagements, it may be helpful to include application material which invites consideration of whether- in the context of subsequent audits/engagements- there ought to be rotation of experts.
43. We also consider that it would be helpful to require any instructed expert to provide a signed declaration of CCO, in line with the approach taken in ISA 620.
44. There may be merit in IESBA producing application material which highlights the potential danger of practitioners engaging in “opinion shopping” for favourable expert opinions.

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

***Q5(A) Do respondents support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert?***

45. Yes. Generally, we support these provisions.

***Q5(B) Are there other considerations that should be included? See Section (VI)(A).***

46. We consider that it would be useful to include potential threats due to long association with a particular expert.

**B. REQUEST FOR GENERAL COMMENTS**

***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.***

47. We have no observations in relation to the request for general comments.