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Submitted electronically: [IESBA website](#)
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Dear Mr. Siong

COMMENTS ON THE IESBA'S EXPOSURE DRAFT ON USING THE WORK OF AN EXTERNAL EXPERT

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national audit and ethics standard-setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic. Its statutory Committee for Auditor Ethics (CFAE) is responsible for prescribing the standards of professional competence, ethics and conduct for registered auditors.

The IRBA adopted Parts 1, 3, 4A and 4B of the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and incorporated these into the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023) (the IRBA Code), together with certain South African adaptations and amendments. The IRBA Code is applicable to all registered auditors in South Africa and, with its Rules Regarding Improper Conduct, provides the basis for disciplinary action against registered auditors.

We appreciate this opportunity to comment on the IESBA's Exposure Draft on Using the Work of an External Expert. The CFAE has considered the revisions to the IESBA Code relating to Part 3: Professional Accountants in Public Practice – Proposed Section 390; and Proposed Part 5: International Ethics Standards for Sustainability Assurance (including International Independence Standards) – Proposed Section 5390. Because the IRBA has not adopted Part 2: Professional

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Established in terms of the Auditing Profession Act 26 of 2005 (as amended).

Accountants in Business, we have not considered the revisions relating to Proposed Section 290. Therefore, our comments are limited to the proposed Sections 390 and 5390.

Our response has been prepared by a CFAE Task Group that comprised an academic and representatives from auditing firms, the Auditor-General South Africa, the Association of Chartered Certified Accountants (South Africa), the South African Institute of Chartered Accountants and the Discovery Health Medical Scheme.

The comments are presented under the following sections:

- A. Overall Comments;
- B. Request for Specific Comments;
- C. Request for General Comments; and
- D. Editorial Comments.

If further clarity is required on any of our comments, kindly email us at znomqonde@irba.co.za.

Yours faithfully,

Signed electronically

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A. OVERALL COMMENTS

1. The IRBA welcomes the IESBA's proposed principles-based ethical framework aimed at guiding professional accountants (PAs) and sustainability assurance practitioners (SAPs) in evaluating the competence, capabilities, and objectivity (CCO) of external experts.
2. The proposed CCO evaluation mirrors familiar concepts found in existing provisions in the International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*, and the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.
3. We concur that mandating independence requirements for external experts in audit or assurance engagements could pose challenges in enforceability, given the non-binding nature of the IESBA Code on external experts. Consequently, we support following an "objectivity" approach.
4. Furthermore, we appreciate the collaboration with the International Auditing and Assurance Standards Board (IAASB) on these proposals, to ensure alignment with the IAASB standards. We note, though, that it will be imperative for the IAASB to promptly enact the planned narrow-scope amendments to its standards, in order to prevent confusion and maintain coherence.
5. In Section B, we respond to the IESBA's specific requests for comment, drawing attention to certain items that could be improved upon to enhance the proposed provisions.
6. Additionally, we have some detailed comments regarding items that the IESBA did not explicitly solicit feedback about. These are noted below.
 - 6.1. We noted that paragraphs R390.5 and R5390.5 do not specify the type of agreement that the PA/SAP must have with an external expert. To protect the PA/SAP and ensure alignment with paragraph 11 of ISA 620, we recommend amending those two paragraphs to include that the agreement be in writing, whenever appropriate, as follows:

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 in writing, whenever appropriate, including:

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 in writing, whenever appropriate, including:
 - 6.2. While we recognise that "using the work of others" is beyond the scope of this project, paragraph 101 of the Explanatory Memorandum addresses the need for additional guidance regarding the use of the work of others. It states that while extant Part 3 of the IESBA Code does not explicitly cover this topic, "paragraphs R220.7 to 220.7 A1 remain relevant in Part 3, due to the applicability provisions outlined in the IESBA Code (i.e., paragraphs R120.4 and R300.5)". However, it is unclear how these applicability provisions render extant paragraphs R220.7 to 220.7 A1 relevant in Part 3 when using the work of others. These provisions pertain only to circumstances

where a PA in public practice engages in professional activities pursuant to the PA's relationship with the firm. Examples of situations where the provisions in Part 2 apply to a PA in public practice are outlined in paragraph R300.5 A1, and using the work of others does not seem to fit within these circumstances. We therefore recommend incorporating the "Using the Work of Others" section from Part 2 into Parts 3 and 5 of the IESBA Code.

B. REQUEST FOR SPECIFIC COMMENTS

Question 1: Glossary

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

7. While we support the introduction of the new definitions, we are concerned with the proposed definition of “expertise”. This definition lacks specificity regarding the depth or level of proficiency required. For clarity and consistency, it would be beneficial to use language that indicates that expertise entails possessing *in-depth* or *advanced* knowledge and skill in a particular field. Such an adjustment would accurately capture the expectations associated with expertise as per the material the IESBA used for its consultation for this definition, and would provide clearer guidance for its interpretation and application.
8. We support the revised “external expert” definition, as it clearly distinguishes external experts from internal ones. This is a necessary clarification, considering that the proposed new sections apply to external experts only. This differentiation will facilitate the appropriate and consistent implementation of the proposed sections.
9. How to address internal experts that are not part of the engagement, audit, assurance or sustainability assurance teams may not be evident to PAs and SAPs without referencing this exposure draft. To deal with this, we propose including in the IESBA Code the appendix to the Explanatory Memorandum entitled “Appendix 1: Flowchart for Experts Used in an Audit Engagement”. Alternatively, we suggest incorporating an additional sentence in the definition of external expert, as follows: “External experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team. They are also not internal experts, as they are not employed by the firm. All such individuals are already subject to the firm’s quality management policies or other policies and procedures that address hiring, competence and resourcing, and the provisions of the IESBA Code. Sections 290, 390 and 5390 set out the requirements and application material addressing the use of the work of an external expert.”

Question 2: Evaluation of CCO for all Professional Services and Activities

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.

10. We support the proposed approach regarding the CCO evaluation, as it aligns conceptually with existing provisions in ISA 620 and ISAE 3000. Moreover, the inclusion of guidance on conducting the evaluation enhances clarity and practical application.
11. Practitioners, based on their practical experience, have pointed out that the lists of examples included in the IESBA Code’s application material, while not meant to be exhaustive or applicable in all cases, are nonetheless often treated as such in practice. Contrary to the underlying intention, they are seen by many as mandatory checklists. We are thus concerned that similar treatment may occur for the lists of factors that are provided for the CCO evaluation under paragraphs 390.6 A2 to 390.6 A6 and 5390.6 A2 to 5390.6 A6. Therefore, we suggest explicitly clarifying that they are not exhaustive or applicable in all cases.

12. In the same way that an external expert may be a member of a professional body or subject to professional standards, the external expert may be subject to oversight by a regulatory body or other relevant authority. Their standing in the light of this oversight would also be relevant to an evaluation of their competence. We therefore further propose amending bullet points 2 and 3 in paragraphs 390.6 A2 and 5390.6 A2, respectively, as follows:

Factors that are relevant in evaluating the competence of the external expert include:

- Whether the external expert belongs to a relevant professional body, or is subject to oversight by a regulatory body or other relevant authority, 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, or adheres to regulatory and legal requirements in the external expert's field or area of expertise.

Question 3: Evaluation of CCO for all Professional Services and Activities

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.

13. We acknowledge that, if an external expert does not satisfactorily pass the CCO evaluation, there is no safeguard that will reduce the threats to an acceptable level. Therefore, we agree that the IESBA Code should prohibit the PA/SAP from using the work of an external expert who fails to meet the CCO evaluation.
14. As outlined in the Explanatory Memorandum, certain jurisdictions may not have external experts who meet the CCO evaluation criteria in specific fields. Therefore, it would be beneficial for the IESBA to offer guidance or propose transitional provisions detailing the actions PAs and SAPs could take in such situations. We also suggest that such guidance could include the potential effects of these scenarios on the assurance engagement and the auditor's report.
15. Paragraphs 390.19 A1 and 5390.19 A1 outline the communication responsibilities for PAs and SAPs regarding inherent limitations when utilising the work of an external expert where there is insufficient information to assess that expert's CCO. However, this seems to contradict paragraphs R390.12 and R5390.12, which stipulate that the PA and SAP should refrain from using the external expert's work in such a case. We therefore propose revising paragraphs 390.19 A1 and 5390.19 A1 as follows:

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, s~~Such communication might be especially relevant when there is a lack of information to evaluate the an external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert.

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, s~~Such communication might be especially relevant when there is a lack of information to evaluate the an external expert's competence,

capabilities or objectivity, and there is no available alternative to that external expert.

Question 4: Evaluation of CCO for Audit or Other Assurance Engagements

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).

16. We agree that further actions are necessary to evaluate the objectivity of an external expert in an audit or other assurance engagement. Stakeholders hold heightened expectations regarding the objectivity of such experts, given their integral role in these engagements.
17. However, we anticipate challenges with the practical implementation of the proposed additional provisions, particularly in terms of soliciting information from external experts. There may be reluctance on the part of the external experts to disclose personal information, or they may respond inaccurately, either intentionally or inadvertently. Therefore, it will be imperative for PAs/SAPs when engaging external experts to communicate clearly and carefully about the information required and its significance.
18. Regarding paragraphs R390.8 and R5390.8, there are concerns that it may be overly burdensome to require the external expert to provide information for the entire engagement period. The engagement period could potentially exceed the duration for which the external expert is engaged, and/or the period covered by the audit or assurance report. Given that an external expert is not part of the audit or assurance team, we suggest the following change to paragraph R390.8 before the list begins: "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 for which the external expert is engaged, information about:".
19. We recommend one additional consideration beyond those already proposed on incorporating guidance on what steps the PA or SAP should take if an external expert responds affirmatively about any of the scenarios listed in paragraphs R390.8 and R5390.8. We recommend that the IESBA Code explicitly clarifies that if any such scenario applies, this should not automatically disqualify the external expert on the grounds of a lack of objectivity. The Code should emphasise that in these cases the PA or SAP is required to exercise their professional judgement in assessing the external expert's objectivity.

Question 5: Potential Threats Arising from Using the Work of an External Expert

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).

20. Overall, we support the provisions that guide PAs/SAPs in applying the conceptual framework when using the work of an external expert.
21. Nevertheless, if an external expert has been evaluated and found to be competent, capable and objective, the advocacy threat outlined in paragraphs 390.14 A1(b) and 5390.14 A1(b),

which suggests a potential bias, should not arise. This is because a biased external expert would likely not meet the objectivity evaluation. Therefore, we propose that these paragraphs be removed or replaced with more appropriate examples.

22. In principle, it seems reasonable in paragraphs 390.14 A1(b) and 5390.14 A1(b), to list having “a close personal relationship with the expert” as an example of a familiarity threat. However, paragraph 120.6 A3 (d) explicitly defines familiarity threats as those arising only from a “relationship with a client, or employing organisation”. Thus, the Exposure Draft appears to identify a familiarity threat which falls outside of the scope of familiarity threats as defined in Part 1. We therefore recommend either broadening the scope of the definition in paragraph 120.6 A3 (d) or removing or replacing the example in paragraphs 390.14 A1(b) and 5390.14 A1(b).
23. When evaluating threats to compliance with the fundamental principles outlined in paragraphs 390.15 A1 and 5390.15 A1, we suggest adding a factor regarding “the duration that the PA or SAP has used the external expert”, which could be useful in evaluating the experience of the expert (if the duration is short) or the presence of a familiarity threat (if the duration is long).

C. 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.

24. We foresee no significant implementation challenges for SMPs, as these provisions closely resemble those found in ISA 620 and ISAE 3000, which such firms already apply when engaging external experts. Moreover, these provisions offer valuable assistance in conducting the CCO evaluation, as they furnish detailed guidance on its execution. Furthermore, considering that some SMPs often audit clients with less complex issues, their reliance on external experts may be infrequent.
25. We are concerned about the term “encourage” in proposed paragraphs 390.21 A1 and 5390.21 A1 concerning documentation, as it presents a regulatory risk from an enforcement standpoint and may result in inconsistent implementation. Therefore, we suggest elevating these application paragraphs to requirements.
26. Paragraph R113.4 SA in the IRBA Code is a South African adaptation that states the following:
- “A registered auditor shall not undertake or continue with any engagement that the registered auditor is not competent to perform, unless the registered auditor obtains advice and assistance that enables the registered auditor to carry out the engagement satisfactorily.”*

After the IESBA’s issuance of the final pronouncement, we will evaluate the need to update this paragraph, to incorporate the revisions related to using the work of an external expert.

D. EDITORIAL COMMENTS

In addition to the proposals made in the main part of our letter, the editorial changes recommended below are denoted as ~~strike through~~ for deletions and underlined for insertions.

Paragraph Number	Recommended Editorial Changes to ED	Comment
320.11 A2	When a professional accountant intends to use the work of an <u>external</u> expert, the requirements and application material set out in Section 390 apply.	Considering that Section 390 only applies to external experts, we recommend the inclusion of “external” before “expert” in this paragraph, for clarity.
Glossary (External Expert)	External experts are not members of the engagement team, audit team, review team, assurance team , or sustainability assurance team.	We suggest replacing the full stop with a comma between “review team” and “assurance team”, for improved coherence.
