

30 April 2024

Mr. Ken Siong
Program and Senior Director, International Ethics Standards Board for Accountants (IESBA)
International Federation of Accountants (IFAC)
529 Fifth Avenue,
New York, 10017 USA

**RE: International Ethics Standards Board for Accountants' ("IESBA") exposure draft,
"Proposed Revisions to the Code Relating to Using the Work of an External Expert"**

Dear Colleagues

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the effort of IESBA and welcomes this opportunity to comment on the IESBA 's Exposure Draft (ED), 1/ 2024, "*Proposed Revisions to the Code Relating to Using the Work of an External Expert*".

SOCPA welcomes this opportunity to offer its comments on the ED-"Proposed Revisions to the Code Relating to Using the Work of an External Expert". Our interest in these proposed revisions comes from SOCPA's continuous efforts to provide sufficient technical and ethical guidance to professional accountants (PAs) individuals and institutions. We believe that the IESBA's proposed revisions to the Code cover an area of significance to the business and profession landscape. Thus, we believe that the IESBA's effort in pursuing these proposed revisions to the Code comes in parallel with SOCPA's local initiatives to support the ethical behaviours of PAs in order to meet the stakeholders' heightened expectations and the entities' increased complexities.

However, SOCPA suggests, at the same time, certain enhancements to the proposed revisions, which are further explained in its responses to the questions in the appendix.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



Dr. Ahmad Almeghames
SOCPA Chief Executive Office

Appendix

SOCPA Comments on Exposure Draft (ED), 1/ 2024, "Proposed Revisions to the Code Relating to Using the Work of an External Expert".

Using the Work of an External Expert

International Ethics Standards Board for Accountants

Exposure Draft January 2024

Comments due: April 30, 2024

Abbreviations used in this Exposure Draft:

SOCPA: The Saudi Organization for Chartered and Professional Accountants.

PA: Professional Accountant.

SAP: Sustainability Assurance Practitioner.

PAPP: Professional Accountant in Public Practice.

PAIB: Professional Accountant in Business.

CCO: Competency, Capabilities, and Objectivity.

ISA: International Standard on Auditing.

Para: Paragraph.

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.**

SOCPA Comments:

While the proposed revisions to the Code aim to clarify definitions and streamline concepts related to the use of external experts, SOCPA believes that the way the “expertise” term is conceptualized in the Code should be revised. It should be clear whether or not the terms “knowledge” or “skill” include “experience” because “experience” as well as “training” eventually shape what is called “knowledge” or “skill”. This idea is clear, for instance, in the dictionary definition by “Merriam-Webster” provided in the ED document. We believe this idea should be clear and consistent in the Code; “experience” should be depicted as being similar to training and education which all together constitute “knowledge and skills”. Therefore, the “experience” term should not be correlated with “knowledge” (as in para R540.9) because such correlation shows “experience” as a distinct concept from “knowledge” which at the end does not correlate with the way “expertise” is defined in the proposal. If it is intended to treat the “experience” term as a separate concept from “knowledge” and “skill” concepts, then the exclusion of “experience” term from the proposed definition of “expertise” becomes an issue as it does not cover a significant resource for the development of “expertise”.

Although the “knowledge” concept is sometimes used to describe the theoretical aspect while the “experience” term is utilized to describe the practical aspect, the way the Code depicts these concepts does not seem to represent this idea. Thus, SOCPA believes the Code’s approach in depicting these terminologies should be clear and consistent throughout the Code.

Accordingly, the decision to avoid using the “experience” term in the definition of “expertise” may raise unintended misunderstanding (e.g. practical experience is not important as much as professional/educational qualifications in order to assess expertise). However, we believe that this issue can be overcome by clarifying in the Code that experience is a major input (factor) as much as training, education and other qualifications in the development of “knowledge” and “skills” (e.g. may be additional clarification to paras 290.6 A2, 390. 6A2 and 5390.6 A2). The clarification of this idea shall help in strengthening consistency between the proposed definition and the definition of “expertise” in International Standard on Auditing (ISA) 620, as well as limit such unintended misunderstanding of the “expertise” and “experience” concepts.

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.

SOCPA Comments:

SOCPA agrees with the proposed revisions, however, believes that the reliance on professional judgment may lead to inconsistencies in evaluations, as different accountants may interpret the given criteria differently. For example, the proposed requirements prohibit the PA or SAP to use the work of external expert if the PA or SAP was unable to obtain the needed information based on which they can do the Competency, Capabilities, and Objectivity (CCO) evaluation. It is highly judgmental to gauge the level of information needed that can be considered sufficient in order to properly complete the CCO evaluation (e.g. paragraph R290.7). Also, the proposed examples of facts and circumstances which may create threats to the PA’s or SAP’s compliance with ethics principles include the idea that the PA or SAP should have sufficient expertise to understand and explain the experts’ conclusions, have no undue reliance on the external experts (e.g. paras 290.9 A1 and 390.9 A1). This idea blurs the understanding of the role and responsibilities of the PA or SAP in relation to the use of external experts work (e.g. when to use them? And to what extent should they be responsible?).

Additionally, we suggest that paragraphs 290.11 A1 and 290.11 A2 (similarly 390.11 A1 and 390.11 A2...etc) can be combined in one paragraph which provides examples of the actions that can be used to address the different types of threats; including the familiarity threat.

Moreover, paragraphs 290.12.A1, 390.17.A1 and 5390.17.A1 all highlight the fact that “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.”

In the case when external experts are not available in a certain jurisdiction the explanatory memorandum to the exposure draft suggests 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.

Since different jurisdictions may have varying pools of external experts with diverse expertise and experience levels, SOCPA believes that the exposure draft should require the PA or SAP to consult with the appropriate regulatory or professional body and on their guidance, if required, use an expert from another jurisdiction, rather than leaving it as a choice. This would ensure the impact of the PA's or SAP's judgement in making this decision is restricted and will ensure consistency in the approach taken in that jurisdiction.

Evaluating the CCO of the external experts is critical to the quality (including the associated ethical behavior) of the professional services that the PA or SAP provides. Therefore, SOCPA believes that a stronger word than "encourage" should be used (e.g. in paragraphs 290.15 A1 and 290.16 A1) to persuade the PA or SAP to communicate sufficient information about the use of external experts (including the evaluation of CCO) to those charged with governance and the management, as well as documenting such procedures performed to assure maintaining the proper compliance with the ethical principles. This idea should be stressed in specific when the work of external experts is deemed significant to the professional services provided by the PA or the SAP.

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.

SOCPA Comments:

SOCPA agrees while there may be challenges related to the availability of experts, as said in the exposure draft, compromising on the standards of competence, capabilities, and objectivity is not an acceptable solution. (paragraph R290.7)

However, SOCPA believes if it is determined that the external expert does not satisfactorily pass the CCO evaluation, in situations determined to be acceptable by the PA or SAP, the PA or SAP should be allowed to perform additional procedures to satisfy any shortcoming identified. While it could be argued that the CCO evaluation is an ethical issue, this is not always true. CCO relates competence, capabilities and objectivity. Thus, whereas objectivity could be an ethical issue, competence and capabilities are not solely an ethics issue.

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. SOCPA believes the Code should incorporate a similar exception in cases where the PA or SAP identifies that the expert does not have the adequate competence or capabilities. This would be very important in regions where external experts are scarce, firms may face difficulties in engaging qualified experts for specific engagements, especially those requiring specialized knowledge or skills – ex: sustainability assurance related work. This could lead to delays in project timelines or compromises in the quality of work performed.

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).

SOCPA Comments:

SOCPA agrees 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. The proposed approach emphasizes evaluating specified interests, relationships, and circumstances relevant to the external expert's objectivity. This includes requesting information about the external expert's relationship with the client and potential conflicts of interest. (paragraph R390.8 and R5390.8)

The exposure draft highlights the period to be covered for the evaluation, i.e., the period covered by the audit or assurance report and the engagement period. However, SOCPA has concerns. If the objectivity evaluation covers specified interests, relationships, and circumstances, why would there be a time limit set on it? Should not the expert be required to provide all information regarding the specified interests, relationships, and circumstances relevant to the external expert's objectivity, rather than limiting it to a specific time period? SOCPA believes there should not be a time limit set for the information to be provided by the expert.

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).

SOCPA Comments:

SOCPA agrees with the provisions that guide the PA or SAP in applying the conceptual framework when using the work of an external expert. However, SOCPA believes it is essential to ensure that the provided guidance adequately covers a wide range of scenarios and potential threats that may arise when using the work of an external expert. Therefore, SOCPA believes the examples of facts/circumstances which create threats to the compliance with the ethical principles, and the actions that can be used to address identified threats may need to be expanded to encompass a broader spectrum of situations related to the evaluation of an external expert's CCO (paragraph 390.16 and 5390.16). Accordingly, introducing examples of experts who might be subject to certain ethical considerations which are required by a regulatory or professional body, and further application materials explaining how PA and SAP should assess the experts' awareness and compliance with all relevant ethical requirements could add a substantial clarity on this matter.