

April 30, 2024

Mr. Ken Siong
Program and Senior Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 5th Avenue
New York, New Yor, 10017

Re: IESBA Exposure Draft – Using the Work of an External Expert

Dear Mr. Siong:

Crowe LLP appreciates the opportunity to comment on the exposure draft, “Using the Work of an External Expert” (the “Proposal”) issued in January 2024 by the International Ethics Standards Board for Accountants (“IESBA” or “Board”), which proposes revisions to the International Code of Ethics for Professional Accountants (the “Code”).

General Observations

We appreciate the Board’s efforts to address questions raised about whether external experts should be subject to independence requirements in audit and other assurance engagements, especially considering the growing involvement of experts in assurance engagements, and also to address questions raised about ethical implications of using experts in providing non-assurance services.

We agree with the Board’s decision to focus the proposed provisions on external experts and not internal experts since internal experts are already subject to their employing organization’s policies and procedures for ensuring compliance with ethical principles. Similarly, we agree that management’s experts do not need to be separately covered by the ethical principles in the Code since this is part of evaluating the information provided by management.

We appreciate the establishment of an ethical framework to guide PAs in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) in order for the PA to use the expert’s work. We agree with the Board’s decision to move away from requiring external experts to be independent and instead evaluate through the lens of objectivity.

We agree that using the work of an external expert might create threats to a professional accountant’s (PA) compliance with fundamental principles, including integrity, objectivity, professional competence and due care. If an external expert is not competent, capable and objective, PAs should not rely on their work in performing their engagements. However, the approach for evaluating competence, capabilities and objectivity should be judgmental and flexible. A prescriptive approach is not in the best interest of stakeholders, even though it may seem like that is an effective method, because it will create undue burden on experts and PAs without the intended benefits. We believe the intent of the requirements can be achieved in a less onerous manner by making these considerations and not requirements.

We strongly disagree with the prescriptive approach outlined in the Proposal for evaluating the objectivity of the external expert, specifically the requirements in paragraph R390.8. Including these independence attributes as a prescriptive list may lead PAs to believe that all of these relationships would impair

objectivity. It would be more appropriate to include these as factors a PA may consider in performing their objectivity assessment. The objectivity evaluation should not be a one-size-fits-all list of requirements, but instead should be a tailored assessment based on the nature and extent of the involvement of the expert. Certain experts may have limited impact on the assurance engagement, and the objectivity assessment should be reflective of that. In addition, many of the requirements listed are not defined and will be difficult to interpret and apply.

For audit and assurance engagements, the information that PAs are expected to obtain from external experts, the expert's immediate family members, and employing organizations is onerous. It is important to note that most external experts may not have systems in place to track and report this type of information. Consequently, relying on the completeness and accuracy of such information becomes challenging.

Additionally, the requirement to request information about the nature and extent of any interests and relationships between controlling owners of the employing organization and the entity raises concerns. There may be confidentiality, legal and regulatory restrictions in gathering this information and providing to PAs.

We have significant concerns about updating the requirements in R390.8 throughout the engagement period. This will require significant effort for PAs to update this information throughout the engagement period, which extends until the report is issued. More importantly, the external expert's objectivity would only be in question for the period of their engagement, not the period of the PA's engagement. Therefore, it is more appropriate to require the objectivity assessment to align with the external expert's engagement period.

Specific Observations

In addition to our general observations outlined above, we have the following specific observations where clarification or modification should be considered.

1. The competence evaluation includes obtaining information about the expert's education and training (paragraphs 290.2 A2, 390.6A2, 5390.6 A2). We believe this is less relevant to the competency evaluation and will be harder for PAs to evaluate unless they are knowledgeable about relevant education and training that is required to support the expertise. Obtaining an understanding of professional certification, license, or accreditation would be a more relevant measure of competence.
2. The capabilities evaluation includes considering whether the expert has sufficient time and available resources (paragraphs 290.6 A3, 390.6 A4, 5390.6 A4). We are concerned the PA will not be able to appropriately evaluate unless they have specific knowledge about the length of time required to complete the work and resources needed. At best, the PA will be reliant on the expert's own assessment of whether they have sufficient time and available resources.
3. One of the example safeguards for reducing the familiarity threat includes using another external expert to reperform the external expert's work (paragraphs 290.11 A2, 390.16 A2, 5390.16 A2). If another expert is reperforming the work, this seems to be eliminating the threat not just reducing the threat. We suggest replacing this safeguard with a provision of having another external expert review the original expert's work.

We would be pleased to respond to any questions regarding our observations noted within this letter. If there are any other questions regarding this letter, please contact Jennifer Kary at 1.574.239.7886 or jennifer.kary@crowe.com.

Sincerely,



Crowe LLP