

International Ethics Standards Board for Accountants
529 Fifth Avenue
New York
NY 10017
USA
2 May 2024

Re: Comment letter relating to the IESBA's Exposure Draft on Using the Work of an External Expert

Dear Board Members,

The Irish Auditing and Accounting Supervisory Authority (IAASA) appreciates the opportunity to comment on IESBA's consultation on its Exposure Draft on Using the Work of an External Expert (ED).

In Ireland, the IESBA Code forms the basis for the Ethical Standard for Auditors (Ireland) issued by IAASA, as well as the code of ethics of each of the prescribed accountancy bodies regulated by IAASA in Ireland, whose membership includes both professional accountants and statutory auditors. IAASA clearly sees an interest in enhancing the content of the IESBA Code, as it constitutes the basis for the ethical requirements with which auditors and accountants in Ireland are required to comply.

General comments

IAASA continues to believe that the Code should be clear and enforceable and allow for engagements to be performed on a consistent basis. The Code should include clear ethical principles along with clear requirements, to promote appropriate ethical behaviour and outcomes.

We support close coordination between the IESBA and the IAASB to maximize alignment and interconnectivity between the proposals and the IAASB's standards to the greatest extent possible in order to ensure global consistency in the use of the respective standards and facilitate their application.

Our comments in relation to particular paragraphs in section 390 should also be considered by the IESBA when updating the equivalent provisions in section 5390.

Scope and definitions

The IESBA should liaise with the IAASB to ensure proper understanding by all practitioners and consistency concerning whether or not the auditor's internal expert is considered to be part of the engagement team. It seems that "internal experts" (i.e. those employed by the auditor's firm) are included in the definition of "engagement team" in the IAASB standards while being excluded from the "engagement team" in the IESBA Code in some instances.

The definition of "engagement team" in paragraph 12(d) of ISA 220 (Revised) excludes the "auditor's external expert", while the IAASB's fact sheet on the definition of "engagement team" shows internal experts as included in the engagement team (page 4 of the IAASB factsheet). However, page 28 of the explanatory memorandum (EM) for the ED indicates that the auditor's internal experts are excluded from the engagement team unless they are performing audit procedures.

This may lead to confusion as well as a lack of consistency in application by practitioners. The IESBA should liaise with the IAASB to assess how best to address this point.

Professional appointments

It is unclear why extant paragraphs R320.10 and 3210.10 A1 have been deleted, as well as the amendment of paragraph 320.12 A1 to remove the references to all 'experts' as the proposed section 390 only relates to external experts. In particular, clarification is required regarding which provisions apply to the use of an internal expert by an auditor or sustainability assurance provider (SAP).

Agreeing the Terms of Engagement with an External Expert

It should be clarified that, even if addressed in law, regulation or other professional standards, the requirements of article R390.5 are to be included in the terms of engagement

Additionally, the terms of engagement should be in written form and signed by both parties. This is a requirement in EU regulation as well as ISA 620. This agreement should also be included in the list of documentation in paragraph 390.21 A1.

For audits or other assurance engagements, the terms of engagement (paragraph R390.5) should include a request for the information relating to the external expert set out in paragraph R390.8. Especially in cases where the evaluation of the external expert's competence, capabilities and objectivity (CCO) cannot be done before the external expert starts work, we consider it essential to clarify what information the external expert has to provide for the professional accountant (PA) to assess.

Evaluating the External Expert's Competence, Capabilities, and Objectivity (CCO)

Paragraph R390.8 requires the PA to "request the external expert to provide [...] information about [...]". We believe such requests should be in written form and also include the requirements of paragraphs R.390.9 and R.390.11.

The requirements in paragraphs R390.8 and R5390.8 refer to the external expert's "employing organisation". It is unclear if this is the expert's direct employer or intended to be applicable to a group setting too. Where an expert's employer is part of a group, some reference would be required to the independence of the group as a whole.

We propose to expand the examples in paragraph 390.11 A1 to clearly indicate that scenarios where the external expert is engaged by the client and also used by the PA in performing its services are considered a relationship subject to the evaluation of the external expert's CCO.

Paragraph 390.11.A2 mentions that "Information [...] might be obtained from inquiry of the client, if the circumstances of the engagement permit disclosure of the use of the external expert to the client". The Code should be clear that this is in addition to the request required to be made directly to the external expert in accordance with paragraph R390.11.

Paragraph R390.12 states that "The professional accountant shall not use the work of the external expert if: [...] (b) The accountant determines that the external expert is not competent, capable or objective". However, the Code gives limited guidance on how the PA makes such a determination, especially for an audit or other assurance engagement. Additionally, if any of the relationships disclosed on paragraph R390.8 arise, the Code is silent on the conclusions the PA is expected to draw concerning the external expert's objectivity.

Potential Threats Arising from Using the Work of an External Expert

However, we are of the view that these provisions of paragraph 390.14A1 should be requirements rather than provided as guidance, especially when a PA has to determine if there is undue influence from or reliance on an

external expert when performing a professional service. If this is set out in the application material only there is a risk that PAs will fully recognize and deal with the self-interest threat in an appropriate manner.

Other Matters

The language in paragraphs 390.17 A2 and 5390.17 A2 should be amended to make it clear that an evaluation of the competence of the external expert has to be performed regardless of whether information relating to factors relevant to evaluating the competence of an external expert are available or not, i.e. the PA's responsibilities are not reduced due to lack of information.

Paragraph 390.19 A1 states "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, such communication might be especially relevant when there is a lack of information to evaluate the external expert's competence, capabilities or objectivity, and there is no available alternative to that external expert." This language should be strengthened to refer to "limited information to evaluate the external expert's competence ...". It would not be appropriate for an accountant to conclude there is no information to perform their evaluation.

Paragraph 70 of the EM reads: "The IESBA considers that ultimately, an external expert's competence, capabilities and objectivity cannot be less relevant or lower in jurisdictions or fields with limited experts. The IESBA notes that where it is determined that there are no external experts available in a particular field or jurisdiction, 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."

However, this point does not appear in the Code.

Clarification of documentation for the matters listed in paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1 would be helpful. IESBA should clarify the need for documentation on how the PA evaluated and concluded on the CCO of the external expert and how the PA evaluated potential threats and mitigation of these threats.

Section 5390 Using the work of an external expert - General

The IESBA should consider whether "information provided by management" in paragraph 5390.4 A4 should also include the work of an expert engaged by the client to assist them in preparing "sustainability information".

I hope that you find these comments useful. Please do not hesitate to contact me if you have any questions.

Yours faithfully



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