

30 May 2024

International Ethics Standards Board for Accountants

To: Ms. Gabriela Figueiredo Dias (Chair)

529 Fifth Avenue

New York

10017 USA

Submitted electronically

**Subject: Comments on the International Ethics Standards Board for Accountants (IESBA's)
Exposure Draft on Using the Work of an External Expert**

Dear Ms. Dias,

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for input on its Exposure Draft (ED) on Using the Work of an External Expert. As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, the IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.
2. The IFIAR's objectives are as follows:
 - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.
 - Promoting collaboration and consistency in regulatory activity.
 - Initiating and leading dialogue with other policy-makers and organisations that have an interest in audit quality.
 - Forming common and consistent views or positions on matters of importance to its members, while taking into account the legal mandates and missions of individual members.
3. The comments we provide in this letter reflect the views expressed by several, but not necessarily all, of the members of the IFIAR. However, the comments are not intended to include or reflect, all of the views that might be provided by individual members on behalf of their respective organisation. The IFIAR Member jurisdictions currently have varying frameworks for sustainability disclosures and/or assurance, and views in this area likely will continue to evolve as requirements and expectations are clarified. The comments in this letter should be considered in that context.
4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by the IFIAR.

5. The IESBA Code of Ethics (the Code) is used by several, but not all of the members of the IFIAR. Moreover, a number of audit firms have voluntarily committed to complying with the Code. As a result, the IFIAR has an interest in enhancing the quality, clarity and enforceability of the Code, even though existing ethical rules or provisions in force at national level supersede those of the Code on certain aspects. On that note, the IESBA may want to consider the national level add-ons/revisions as input in respect of further enhancements to the Code.
6. As audit regulators, we believe that the Code should be clear and enforceable and allow for engagements to be performed on a consistent basis. The Code should incorporate provisions required to ensure appropriate behaviour: this means, for the IESBA, to articulate clear ethical principles and supporting ethical provisions, along with clearly linked requirements, to promote appropriate ethical behaviours and outcomes.

Overall comments

7. We support the development of the standard on Using the Work of an External Expert given the increasing importance of the use of the work of external experts to the performance of high quality audit and sustainability assurance engagements.
8. We also support that the provisions the IESBA are developing align with the IESBA's proposed sustainability reporting and assurance standard on the same timeline with close coordination. It is important for the IESBA to continue to engage with a wide range of stakeholders, especially sustainability assurance practitioners (SAPs) other than professional accountants (PAs) and regulators.
9. Close coordination with the International Auditing and Assurance Standards Board (IAASB) is critical as the IAASB has or is developing the relevant international audit/sustainability assurance standards to this ED such as ISA 620, *Using the Work of an Auditor's Expert* (ISA 620), and Proposed International Standard on Sustainability Assurance, General Requirements for Sustainability Assurance Engagements (ISSA 5000).
10. We believe that more clarification, additional requirements and further guidance are needed in some areas to support consistent implementation, enforceability, profession-agnostic standard (proposed section 5390) and coordination with the IAASB.

Detailed Comments

Glossary

11. In the glossary, the definition of "External Expert" for a SAP should also be extended to their employing organization or firm for consistency with experts engaged by a professional accountant. Further, the deletion of the term "accounting" when defining expertise outside of assurance engagements performed by professional accountants may lead to confusion. We propose what constitutes an external expert for assurance engagements, including

sustainability assurance needs to be defined separately for PAs and SAPs who are not professional accountants.

12. A clear definition of “External Expert” will promote appropriate and consistent implementation of the proposed provisions in the ED. From this perspective, “Appendix 1: Flowchart for Experts Used in an Audit Engagement” included in the Explanatory Memorandum (EM) is useful for PAs and SAPs.
13. We recommend that the Appendix 1 in the EM and a similar flowchart for SAPs should be incorporated into the final standard to promote appropriate and consistent consideration in using the work of external experts in both audit and sustainability assurance engagements. In addition, we believe that further guidance on what constitutes performing assurance procedures will be necessary to help SAPs distinguish between engagement team members and external experts.

Evaluation of the CCO

14. We recommend the IESBA revisit the terms “competence” and “expertise” to ensure they are being used consistently. For example, the term “expertise” is proposed to change to the term “competence” in paragraph 220.7 A2, on the other hand “expertise” is still used in paragraph 290.4 A1. The rationale for the different terminology used in each of these paragraphs is not clear.
15. As mentioned in paragraph 65 of the EM, the necessary competence, capabilities and objectivity (CCO) evaluation would be started at the acceptance/continuance stage but may not be completed at this stage. The IESBA’s view is to accept such uncompleted CCO evaluation situations. If PAs/SAPs cannot complete the required evaluation, PAs/SAPs have to consider the impact to opinions and how to address the issue at the conclusion stage. The availability of relevant experts, whether internal or external, with the appropriate CCO should be considered as part of acceptance and this should be clear in the requirements within the Code.
16. Additionally, we recommend the IESBA to consider adding a provision to address situations where the nature, scope and/or objective of the work performed by the external experts changes after the terms of the engagements have been agreed. A provision that changes in the nature, scope and/or objective of the work performed by external experts, may require the PAs and SAPs to re-evaluate the CCO of the external experts and re-evaluate any threats that might be created from using the work of the external experts. Changes to the initial nature, scope and/or objective may also require new terms of engagement to be agreed.
17. Sustainability is a pre-mature area and the lack of experts may not be a temporary issue as sustainability topics subject to disclosure are expected to continue to evolve.
18. Depending on the views from stakeholders, the following examples of provisions included in paragraph 70 of the EM and further guidance should to be incorporated into the Code itself or relevant guidance in order to clarify how to respond to the lack of experts.
 - Using an expert from another jurisdiction.

- Consulting with the appropriate regulatory or professional body and ascertain the proper next steps.

Perspective on consistency of application

19. The ability to comply with the provisions of this ED is highly dependent on the auditor or SAP having a system of quality management that is at least as demanding as ISQM 1. For traditional audit firms, many of them would be subject to oversight in their jurisdictions to ensure compliance with quality management standards. However, for SAPs other than PAs, it is still unclear in many jurisdictions whether these SAPs could comply with such quality management systems.
20. Similarly, acceptance and application of the Code by PAs and SAPs varies across the globe. There is also a lack of clarity in many jurisdictions who would hold them accountable.
21. Given these circumstances, we encourage the IESBA to continue to pay close attention to the sustainability reporting related developments of each jurisdiction, so that the IESBA can understand the needs for additional provisions or further guidance and respond to them in order to promote consistent application and enforceability.
22. Additionally, internal experts are currently out of scope of the ED because it is assumed the assurance services are being provided by a partner/firm that has a system of quality management at least as demanding as ISQM 1 so they are already covered. Given concerns highlighted above about where SAPs can reasonably comply, we encourage the IESBA to reconsider whether this exclusion is appropriate.
23. Whether information provided by third-party data providers or other sources of information is work performed by an expert, which is explained in paragraphs 99 and 100 of the EM, is not clear enough. For example, whether using the work of cyber security experts and data providers providing value chain information through common platforms are within the scope of this ED is unclear. Some explanations and examples should be added in the final standard in order to promote consistent and appropriate understanding. There are examples in ISA 620 A2 for the IESBA's reference.
24. Examples of facts and circumstances that might create threats to a PAs and SAPs compliance with the fundamental principles when using an external expert's work in paragraphs 290.9 A1, 390.14 A1 and 5390.14 A1 include self-interest threats, advocacy threats, familiarity threats and intimidation threats. Examples of self-review threats should be added to promote consistent, comprehensive and appropriate evaluation of potential threats based on the conceptual framework.
25. Paragraphs 290.15 A1, 390.20 A1 and 5390.20 A1 of the ED include provisions that encourage PAs and SAPs to communicate with management, and where appropriate, those charged with governance (TCWG) when using the work of an external expert. The inclusion of provisions to communicate significant matters in relation to using the work of an external expert with management and TCWG are important and we encourage the IESBA to coordinate with the IAASB to ensure consistency with the ISAs and to minimize the risk of inconsistent application.

26. Regarding paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1 of the ED, more specific provisions on documentation are needed as well. For example, how PAs and SAPs evaluated and concluded on the CCO of external experts and how PAs and SAPs evaluated potential threats and mitigation of these threats should be explicitly documented. For the enforceability, some important factors for documentation including the above examples should be incorporated in the Code itself or relevant guidance clearly. Furthermore, we believe that ED Paragraphs 390.21 A1 and 5390.21 A1 of the ED should be elevated to requirements in order to ensure the consistency with Part 3 of the Code (e.g., paragraphs R310.13 and R360.28).

Profession-agnostic standard (proposed section 5390) and coordination with the IAASB

27. We note that the proposed provisions for SAPs (proposed section 5390) are a part of the ethics standard for sustainability assurance which is a profession-agnostic standard. So, careful considerations for the clarity, understandability and usability of the provisions for SAPs including SAPs other than PAs who are not necessarily familiar with the Code at this moment (proposed 5390) are needed.
28. From this perspective, more clarification is required regarding management's experts. On "Desired Public Interest Position" in paragraph 116 of the EM, 'Management's experts' which is included in "Current Position" is missing. Clarification that the requirements for management's experts are covered in ISSA 5000 (not covered in the Code) is needed especially for SAPs other than PAs. Such explanations for clarification should be included in the final standard of this ED.
29. In relation to this, certain parts of the ED that are also relevant to "the using of management's experts" (i.e. some provisions for evaluation competency and capabilities) should be considered for amendments to ISA 500 for audit engagements and ISSA 5000 for sustainability assurance engagements by the IAASB, ensuring consistency with the related additional provisions in this ED at the same timing.
30. The IAASB's existing standard ISA 620 which is the standard of 'Using the Work of Auditor's Expert' includes similar provisions which require evaluations of the CCO as this ED. Therefore, ISA 620 should also be considered to be amended by the IAASB considering this ED in a timely manner.
31. We encourage the IESBA to do close coordination with the IAASB in order to ensure the consistency between the IESBA's standards and the IAASB's standards regarding various topics including above matters.
32. Additionally, the examples of specific work undertaken by an external expert for sustainability assurance engagements described in paragraph 5390.4 A3 of the ED are almost the same as for the examples for audit engagements described in paragraph 390.4 A3 of the ED. It would be more helpful for SAPs that these examples for sustainability assurance engagements are updated to more sustainability specific examples.
33. Furthermore, the provision for identifying self-interest threats (paragraph 5390.14 A1 of the ED) should be more sustainability-specific. In sustainability assurance engagements, multiple

external experts could be used routinely and different types of external experts could be used depending on whether the assurance practitioners are PAs or assurance practitioners other than PAs. Therefore, these matters should be considered in this provision.

Please do not hesitate to contact me or James Ferris, Chair of the IFIAR Standards Coordination Working Group (SCWG), to discuss any of our comments.

Yours sincerely,



Takashi Nagaoka, IFIAR Chair

Cc: Kevin Prendergast, IFIAR Vice Chair
James Ferris, SCWG Chair,
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