



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

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Mr Ken Siong  
Senior Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, 10017 USA

Dear Mr Ken Siong

**INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (“IESBA”) EXPOSURE DRAFT, *USING THE WORK OF AN EXTERNAL EXPERT***

The Ethics Standards Board (“ESB”) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the IESBA’s Exposure Draft (“ED) Using the Work of an External Expert.

We enclose in **Appendix 1**, our response to the questions contained in the ED.

We hope our comments will contribute to the IESBA’s deliberation in finalising the ED. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email at [simontaypитеu@mia.org.my](mailto:simontaypитеu@mia.org.my).

Thank you.

Yours sincerely

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR. WAN AHMAD RUDIRMAN WAN RAZAK**  
Chief Executive Officer

## **APPENDIX 1**

### **PART A: SPECIFIC COMMENTS**

We have outlined our responses to each question in the ED below.

#### **Glossary**

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

We broadly agree with the proposals set out in the glossary.

However, we find that there are inconsistencies within the external expert definition as explained in the explanatory memorandum, particularly in relation to the flowchart provided in Appendix 1. While the proposed definition states that an external expert is not an engagement team member or audit team member, the flowchart in Appendix 1 appears to contradict this conclusion by inferring that the expert can be an engagement team member or audit team member. The Appendix also seems to imply that an “internal expert” is not an engagement team member, which would contradict extant Code paragraph 400.11.

We would propose that the IESBA revise the flowcharts to address these inconsistencies if they will be included in the Basis of Conclusions or the final pronouncement.

#### **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.**

Overall, we support the approach regarding evaluating an external expert's competence, capability and objectivity (CCO). To ensure the work by the expert is appropriate to be used as evidence in the professional service performed, the same consideration of professional competence is required of the partners within the expert's firm.

However, we have concerns about the practical application of the evaluation, in particular on the accessibility of information regarding the independence of the external expert. As an external expert is not an employee of a firm and is outside of the firm's system of quality management, the firm will be relying on the external expert to provide accurate information to confirm the expert's independence.

Given that this requirement will also affect the decision of the professional accountant on whether to prohibit using the work of an external expert if they have not met the requirements of CCO, we suggest that the IESBA provide practical guidance in reaching a conclusion based on the combined effects of the CCO evaluation rather than having sole reliance on the information provided by the expert.

We find that paragraphs 390.6 A2-A6 may suggest that the factors outlined are the minimum factors to be considered. We recommend that the IESBA consider revising the current proposed language from “factors that are relevant...” to “factors that might be relevant...” to better indicate that the applicability of factors is subject to the professional judgment of the Professional Accountant (PA) or Sustainability Assurance Practitioner (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.**

We agree with the intention of the proposal that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work. With respect to objectivity, the proposals could benefit from recognising the judgments that a PA or SAP needs to make in determining whether it is appropriate to use the work of an expert.

The approach should align with that set out in the auditing and assurance standards such as International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*, which allows for consideration of threats and safeguards depending on the level of threats to objectivity and significance of the work. A key part of the professional judgment of a PA or SAP should be to assess the objectivity in relation to the specific facts of the situation, including the type of engagement and type of client.

We propose that the IESBA build these distinctions into the final pronouncement. This would clarify that not only should a different set of factors be considered depending on the type of engagement, but also that the conclusions reached by the PAs or SAPs in applying their professional judgment to assess the objectivity of the external expert may vary depending on the type of engagement and type of client.

In addition to this, we believe that the proposed paragraphs 390.8 to 390.11 may result in some experts either refusing or being unable to provide the level of information requested. The reference in proposed paragraph 390.12(a) to not being able to “obtain the information needed” seems dependent on the extent to which the external expert is able and willing to provide the information. This might result in the unintended adverse consequence of precluding the necessary use of the work of external experts in some circumstances.

The strict prohibition as proposed may result in SAPs being unable to accept and conduct engagements in the absence of qualified external experts. These proposals inadvertently risk undermining, rather than enhancing, engagement quality. We believe proposed paragraph 390.12(a) should be revised to instead refer to the PA or SAP being precluded from using the work of an expert when they are “unable to determine whether the expert is competent, capable and objective” (as opposed to “unable to obtain the information needed”). Such a threshold would inherently encompass an inability to obtain information on which to base the practitioner’s determination.

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).**

We are supportive of the intent of the additional provisions relating to evaluating an external expert’s objectivity to introduce an appropriate level of rigour to address the heightened public interest expectations concerning external experts.

However, we are of the opinion that the request for information is unnecessarily prescriptive. It does not appear to provide latitude to the PA or SAP to make inquiries about the type of interests and relationships that, in their professional judgment, would be most applicable in the context of their engagement.

These concerns are exacerbated given the evolving nature of sustainability assurance engagements and the extent to which experts will likely be used in those engagements in the future. It is not in the public interest if standards create inappropriate barriers to the necessary use of external experts for the performance of high-quality engagements.

The requirement in paragraph R390.12(a) regarding circumstances when the PA or SAP shall not use the work of the external expert does not appear to appropriately allow for the use of professional judgment by the PA or SAP. Taken together, the combination of R390.8 and R390.12 is, in our view, too restrictive and does not appear proportionate.

Additionally, in practical application, requiring external experts to respond to the information requested for their immediate family and employing organisation may be challenging to obtain, particularly when there may be concerns about privacy, confidentiality or the inability or unwillingness to disclose all of the information listed.

With regard to proposed paragraph R390.9, we believe that when the expert is using a team, there should be flexibility for the PA or SAP to evaluate the CCO of the expert as a collective “firm” and not for every individual on the team.

The proposed requirements in proposed Section 390 seem to be procedures relevant to complying with audit and assurance standards and these performance requirements have been embedded in existing standards [e.g. ISA 620, International Standard on Assurance Engagements (ISAE) 3000, International Standard on Sustainability Assurance (ISSA) 5000]. If the IESBA maintains that separate requirements are necessary in the Code, we would urge that the IESBA ensure that these requirements can be implemented in a manner that supports quality while acknowledging the limitations that arise when external experts lack mechanisms to track and monitor relevant information.

It is unclear whether the use of the term “the entity” in paragraph R390.8 includes or excludes related entities which may be a particularly relevant consideration in a group engagement. We suggest providing guidance on how to consider the scope of such entities for which the PA or SAP shall evaluate the external expert’s objectivity when using the work of the external expert.

Apart from the above, it is understood that the onus is on the practitioner to define the relevant thresholds and assess the external expert. We would therefore suggest that more clarity be provided on what thresholds would be considered as:

- (a) "immaterial" in Section 5390.8.
- (b) "insignificant" in Section 5390.8(e)
- (c) "material" in Sections 5390.8(a) and 5390.11 A1
- (d) "controlling" in Section 5390.8(m)
- (e) "control" in Section 5390.11 A1

Defining these terms more explicitly or providing additional guidance would enhance the understanding and consistency of their application, especially for non-accountants who will be adopting these standards.

#### 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).**

We support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert. We acknowledge that threats might still exist, and should still be considered even if a PA or SAP has determined that an external expert has the necessary CCO.

However, we would appreciate more clarity and practical guidance in paragraph 5390.15 A1 which seems to suggest that the factors outlined are the minimum requirements and might suggest all factors are relevant. Similar to our response in Question 2, we recommend changing the current proposed language from “factors that are relevant...” to “factors that might be relevant...” to better indicate that the applicability of factors is subject to the PA or SAP’s professional judgement.

#### Other comments not covered by the specific questions requested in Part A

##### Agreeing the terms of the engagement

We acknowledge that in proposed paragraph R390.5, the IESBA has sought to avoid conflict with the provisions of ISA 620 and therefore support the language reflected in the lead-in to the paragraph to address “other professional standards.” It seems contradictory to then specify in part (a) of this paragraph a specific requirement for audit and other assurance engagements. We propose deleting the reference to “In the context of audit or other assurance engagements” and instead refer to the terms addressing “the provision of information needed from the external expert for purposes of assisting the accountant’s evaluation of the external expert’s competence, capabilities and objectivity.” This would allow a practitioner of a non-assurance service to determine any terms considered appropriate regarding the provision of information. There seems to be no reason to suggest, as described in paragraph 58 of the Explanatory Memorandum, that a practitioner in those circumstances would never need to seek information from the external expert.

##### Documentation

We believe that the statement in the first bullet point of the proposed paragraph 390.21 A1, “to document the results of any discussions with the external expert”, should be revised to give the effect that only significant matters or judgements relating to the scope of work to be performed and the evaluation of that work are relevant for documentation purposes. This is also the approach adopted in ISA 620 and ISAE 3000.

##### Use of an external expert in a non-assurance service versus a business relationship

The delineation between the use of an external expert in a non-assurance service engagement and going to market with an expert, such as in a business relationship, is not clear. We would not expect the proposed requirements in any section to apply in the case of a business relationship unless the expert is contributing to the outcome of the PA’s or SAP’s engagement. We believe the IESBA needs to clarify the scope of the provisions in relation to business relationships.

## PART B: GENERAL COMMENTS

- ***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.

We do not have any comments from the perspective of 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.

Not applicable.

- ***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.

We do not have any comments from the perspective of SAPs apart from those detailed in our comments above.

- ***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.

We do not foresee difficulties in applying these proposals in the Malaysian environment other than in our comments above.

- ***Translations*** – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comments on potential translation issues respondents may note in reviewing the proposals.

Not applicable.