

April 25, 2024


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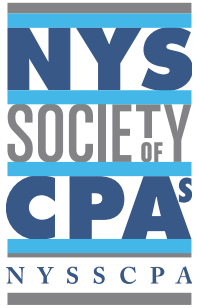
Re: Exposure Draft: Using the Work of an External Expert

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 19,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned exposure draft.

The NYSSCPA's International Accounting and Auditing, Professional Ethics and Sustainability Accounting and Reporting committees deliberated the document and prepared the attached comments. If you would like additional discussion with us, please contact Edward Esposito at edcpa@icloud.com, or Keith Lazarus, NYSSCPA staff, at (212) 719-8378.

Sincerely,
N Y S S C P A

N Y S S C P A
Liren Wei
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

EXPOSURE DRAFT: USING THE WORK OF AN EXTERNAL EXPERT

April 25, 2024

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New York State Society of Certified Public Accountants
Comments on
Exposure Draft: Using the Work of an External Expert

Executive Summary

In November 2022, the Public Interest Oversight Board (PIOB), which monitors the activities of the International Ethics Standard Board for Accountants (IESBA) and the International Accounting and Auditing Standards Board (IAASB) and the public interest responsiveness of their standards,¹ issued a report to the IESBA indicating that external experts “are not subject to independence requirements”² of the International Code of Ethics for Professional Accountants (including International Independence Standards) (“the Code”). The PIOB reiterated that numerous stakeholders want these external experts to be subject to the Code, particularly in sustainability reporting and assurance.³

In January 2024, the IESBA issued an Exposure Draft (ED) titled “Using the Work of an External Expert” to address the PIOB’s concerns. Along with competence and capabilities, this ED uses the concept of “objectivity,” rather than “independence” in setting the standard to be met by these external experts. We disagree with the use of this objectivity concept because it creates two different standards: 1) an objectivity standard for external experts who are non-accounting professionals and 2) the independence standard of the Code for professional accountants.

Our rationale is that objectivity implies a lower standard, which may affect the ability of the audit team to properly assess and disclose conflicts of interests and the existence of related parties of the external expert, and accordingly would not serve the public interest. Therefore, we recommend the use of the well understood and generally accepted independence standard of the Code in evaluating an external expert.

We acknowledge that our recommendation goes beyond current U.S and international standards⁴ which do not require an auditor’s expert or specialist to be independent. We believe that elevating the criteria to evaluate an external expert to meet our independence standard has the added benefit for them to act with integrity and exercise professional skepticism in addition to being objective. Accordingly, we also recommend that the IESBA coordinate with the IAASB, the AICPA and the PCAOB to require external experts to comply with our independence standard of the Code.

¹ <https://www.ethicsboard.org/news-events/2024-03/iesba-staff-releases-high-level-summary-prohibitions-iesba-code-audits-public-interest-entities>.

² “PIOB’s Public Interest issues: IESBA projects”, November 2022, p.8, accessed on the web on March 14, 2024 at: <https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

³ Ibid.

⁴ The existing auditing standards are: 1) AICPA AU-C 620, 2) IAASB ISA 620, and 3) PCAOB AS 1210.

We chose to respond to only the following questions:

Question 2(a) Evaluation of CCO for all Professional Services and Activities

Do respondents support the approach regarding evaluating an external expert's competence, capabilities, and objectivity?

Response: We support the approach for evaluating an external expert's competence and capabilities. However, as explained in our general comment, we do not support the use of an objectivity standard for determining the "independence" of the external expert. We disagree with the discussion in paragraph 25 of the Explanatory Memorandum, which provides the rationale for taking an "objectivity approach" as opposed to an "independence approach."

We disagree with the use of the objectivity standard because it creates two different standards: 1) an objectivity standard for external experts who are non-accounting professionals and 2) the independence standard of the Code for professional accountants. Our rationale is that objectivity implies a lower standard, which may affect the ability of the audit team to accurately assess and disclose conflicts of interests and the existence of related parties of the external expert, and accordingly would not serve the public interest. Therefore, we prefer the use of the independence standard to evaluate an external expert along with competence and capabilities.

Question 4 Evaluation of CCO for Audit or Other Assurance Engagements

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).

Response: We agree with the level of rigor of the provisions in Section (V)(A). However, we do not support the concept of "objectivity." We recommend the continued evaluation of the level of independence of all experts associated with assurance engagements by using the "independence" standard of the Code as explained above in our response to question 2(a).

B. Request for General Comment

Response with regards to Small- and Medium-Sized Entities (SMEs): The ED will create a situation in which there could be a negative effect on the ability of all clients, not only SMEs, and their respective boards, to properly vet potential engagements. Independence is specifically observed for the management of a SME to disclose related party transactions. Objectivity implies a lower standard, which may affect the ability of clients to accurately assess and identify conflicts of interests and related parties, and accordingly would not serve the public interest. Therefore, we prefer the use of the independence standard to evaluate an external expert.