



April 30, 2024

International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017
Via Email: KenSiong@ethicsboard.org

Re: Using the Work of an External Expert

Dear members of the International Ethics Standards Board for Accountants:

The Professional Ethics Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide comments to the International Ethics Standards Board for Accountants (IESBA) regarding the IESBA proposal on using the work of an external expert. The PICPA is an association of more than 18,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is a cross section of our membership, with practitioners from large, regional, and small public accounting firms, members serving in business and industry, and accounting educators.

General Comments

Overall, the committee supports the IESBA's efforts to ensure that public accountants (PAs) use external experts who are objective and competent and agrees with the decision not to require all external experts to be independent. However, we believe that the proposed Section 5390 on using the work of an external expert for sustainability assurance providers should be considered holistically in connection with the Proposed International Ethics Standards for Sustainability Assurance. This proposed section cannot be properly evaluated without a comprehensive understanding of the performance standards that these practitioners will use, and we vehemently disagree with permitting the use of the standards promulgated by the International Audit and Assurance Standards Board (IAASB) without appropriate training, licensing, and enforcement mechanisms similar to those of PAs. While we support strong ethics among all professionals, we believe further analysis should be done to

ensure that any broadening of the Code to non-PAs includes a sufficiently rigorous standard-setting, and regulatory framework so as to not dilute its value.

Specific Comments

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

Overall response: No, with comments.

The committee is concerned that certain of the proposed new and revised definitions in the glossary are not aligned with the definitions included in the International Standards on Auditing promulgated by the IAASB.

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 response: No, with comments below.

While the committee agrees that external experts should have the necessary competence, capabilities, and objectivities, it is not clear why these requirements should be repeated in the ethics code since they are included in the applicable performance standards.

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.*

Overall response: No. See answer to question No. 2.

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).*

Overall response: No, with comments below.

The committee notes that, in general, these requirements are included within the performance standards, and to the extent that these proposals include incremental requirements, practitioners may not be aware of them. Therefore, the committee is concerned that compliance would be inconsistent. We recommend coordination with the IAASB with respect to any needed incremental improvement to the standards.

Furthermore, compliance with the prescriptive guidance in proposed Section 390.7 A1 - 390.11 presents the same implementation challenges that caused the IESBA to reject the requirement that external experts maintain their independence. The committee notes that in some cases, for example, an actuary for a defined benefit pension plan may spend minimal amounts of time reviewing the work of the client's actuary, that compliance with the proposed guidance would cause a significant increase in the compliance costs of using such an external expert. The committee believes that these extensive requirements could result in pressure to avoid the use of external experts due to these significant compliance barriers. We also believe that this would have a greater impact on smaller firms who are not able to internally hire these experts. We believe that these outcomes would be contrary to overall audit quality improvement efforts.

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).*

Overall response: Yes, with comments below.

The committee supports PAs applying the conceptual framework when using the work of an external expert. Certain factors that are relevant in evaluating the level of threats included in paragraph 390.15 A1 are performance considerations, such as the following:

- The nature of the professional service for which the external expert's work is intended to be used.
- The professional accountant's oversight relating to the use of the external expert and the external expert's work.
- The appropriateness of, and transparency over, the data, assumptions, and other inputs and methods used by the external expert.
- Whether the external expert's work is subject to technical performance standards or other professional or industry generally accepted practices, or law, or regulation.

We appreciate the IESBA's consideration of our comments. We are available to discuss our comments with you further. Please reach out to Allison M. Henry at ahenry@picpa.org.

Sincerely,

A handwritten signature in blue ink that reads "Nicole Hinkle, CPA". The signature is written in a cursive style.

Nicole Hinkle
Chair, PICPA Professional Ethics Committee

cc: Allison Henry, CPA
PICPA Vice President - Professional & Technical Standards