



International Ethics Standards Board for Accountants (IESBA)
529 Fifth Avenue
New York, 10017
USA

7 May 2024

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

Dear Ms. Gabriela Figueiredo Dias,

1. The CEAOB (Committee of European Auditing Oversight Bodies) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for input on its Exposure Draft for *Using the Work of an External Expert* (ED-Use of experts). As the organisation representing the audit regulators of the European Union and the European Economic Area, the CEAOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the CEAOB International Auditing Standards Subgroup and has been adopted by the CEAOB. The comments raised in this letter reflect matters agreed within the CEAOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEAOB and their respective jurisdictions.
3. As the organisation representing the audit regulators of the European Union and the European Economic Area, the CEAOB encourages and supports not only continuing improvement of ethical standards for audit engagements, but also the development of standards for the assurance of sustainability reporting.
4. The IESBA Code of Ethics ("Code") is used in several European jurisdictions, but not all of them. The CEAOB clearly sees a benefit in enhancing the Code, as it constitutes a basis for benchmarks at international level. Moreover, a number of international audit firms and networks have voluntarily committed to complying with the Code.

General comments

5. In examining the ED-Use of experts, the CEAOB focused on the provisions for audit and sustainability assurance engagements. As a result, this letter might not identify all comments that would be needed on the provisions applicable to professional accountants (PA) when not performing such engagements.
6. The CEAOB consistently encourages IESBA to enhance the quality, clarity and enforceability of the Code, even though existing legal ethical rules or provisions in force at the national level in EU and EEA member states, which exist in some areas covered by the Code, will continue to supersede those of the Code.





7. The CEOB 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 incorporate provisions required to ensure appropriate behaviour: this means that the IESBA should include clear ethical principles along with clear requirements, to promote appropriate ethical behaviour and outcomes.
8. The CEOB would like to express its support for the IESBA's project to address ethics (including independence) provisions governing the use of external experts in an audit or assurance engagement. We agree with paragraph 290.2 that *"Using the work of an external expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care."* We suggest to add the second sentence of paragraph 8 of the Explanatory Memorandum (EM) to the Code as we believe the reasons (potential overreliance, lack of proper evaluation on the external expert's work) should be explained in the Code itself to help the PA or sustainability assurance practitioner (SAP) understand the threats involved.
9. We continue to appreciate 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.
10. Unless specifically referenced we highlight the fact that our comments in relation to section 390 should also be considered by the IESBA when updating section 5390 of the ED-Use of experts.

Scope and definitions of ED-Use of experts

11. There is a need for more clarification regarding management's experts. In the *"Desired Public Interest Position"* in paragraph 116 of the EM, *"Management's experts"* is missing, whilst it is included in *"Current Position"* as being covered by the ISAs. It is understood that the proposed revisions in the Code do not address the use of the work of a management's expert. However, the distinction between the different types of experts (internal, external and management expert) should be clarified in the Code as well as the standards by the IAASB (ISA 500¹, ISA 620², ED-ISSA 5000³).
12. In the same vein, we urge the IESBA to 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. The appendix to this letter provides further details on our concerns in this area.

¹ International Standard on Auditing (ISA) 500, *Audit Evidence* (ISA 500)

² International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert* (ISA 620)

³ Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards* (ED-ISSA 5000)



Professional appointments

13. It is unclear why 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 SAP.

Using the work of an external expert - Agreeing the Terms of Engagement with an External Expert

14. It should be clarified that even if law, regulation or other professional standards addressed the terms of engagement, the requirements of article R390.5 shall be included in such terms.
15. We also believe that the terms of engagement should be done in written form and signed by both parties. This is a requirement in EU regulation as well as in ISA 620. Furthermore, this agreement should be included in the documentation (to be included as paragraph 390.21).
16. For audits or other assurance engagements, we believe that the terms of engagement should also include a request for the information pursuant to 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 the work, we consider it essential to clarify what information the external expert has to provide for the PA to assess. For clarity, paragraph R390.5 (b) should contain a cross reference to the information required by paragraphs 390.8 to 390.11.

Using the work of an external expert - Evaluating the External Expert's Competence, Capabilities, and Objectivity (CCO)

17. Paragraph R390.8 requires the PA to "*request the external expert to provide [...] information about [...]*". We believe such requests should be in the form of written confirmation, also including the requirements of paragraphs R.390.9 and R.390.11.
18. 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, then some reference would be required to the independence of the group as a whole.
19. We propose to expand the examples in 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.
20. 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*". We believe the Code should be clear that this can be done in addition



to the request that is required to be made directly to the external expert in accordance with paragraph R390.11.

21. 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”*. The Code gives no (or limited) guidance on how the PA proceeds to such a determination, especially for an audit or other assurance engagement. Indeed, if any of the relationship disclosed on paragraph R390.8 occur, the Code is silent on the conclusions the PA is expected to draw concerning the external expert’s objectivity.
22. It could be made clearer in paragraphs R390.12 and R5390.12 that the accountant must determine that the expert is competent, capable and objective.
23. The performance of consistent CCO evaluations across jurisdictions is one of the matters that should also be addressed. For example, in sustainability assurance engagements experts may be used from a firm’s international network. We propose to address this situation in the factors relevant to the evaluation of the CCO of the external expert.

Using the work of an external expert - Potential Threats Arising from Using the Work of an External Expert

24. We welcome the provisions of paragraph 390.14A1. However, we are of the view that these provisions should be requirements rather than provided as guidance, especially when a PA has to determine if he has undue influence from, or undue reliance on, the external expert or multiple external experts when performing a professional service. We question whether, if this is set out in the application material only, the PA will fully recognize and deal with the self-interest threat in an appropriate manner.

Other Matters

25. 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 (as listed in 390.6 A2 and 5390.6 A2) 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.
26. Paragraph 390.19 A1 mentions *“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.”* Taking into account the requirements of paragraph R390.12, it could be interpreted that the PA could still use the work of this external expert, due to a lack of alternatives, despite the inherent limitations in the CCO evaluation, as long as communication with TCWG is done.



27. The language in paragraphs 390.19 A1 and 5390.19 A1 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.
28. 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 idea is not found in the Code. We believe this should be clarified in the Code, when dealing with the Other Matters section.

29. Clarification of documentation needs for the matters listed in paragraphs 290.16 A1, 390.21 A1 and 5390.21 A1 would be helpful. In our opinion, it is useful to 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

30. 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".

Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Sub-group should you have any questions on the content of this letter.

Yours faithfully,

Patrick Parent

Chairman



Appendix

Issue – definition of engagement team

It seems that “internal experts” (i.e. those employed by the auditor’s firm) are **included** in the definition of “engagement team” as per IAASB 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) clearly **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, this is not the position taken by the IESBA on page 28 of the EM that indicates that the auditor’s internal experts are excluded from the engagement team unless they are performing audit procedures.

This may lead to confusion for users of audits and assurance services 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.