

Basis for Conclusions

Prepared by the Staff of the International Ethics
Standards Board for Accountants® (IESBA)

Revisions to the Code Addressing Using the Work of an External Expert

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IESBA

International Ethics Standards Board for Accountants
AN IFEA BOARD

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About the IESBA

The [International Ethics Standards Board for Accountants](#)[®] (IESBA[®]) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting high-quality, international ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Along with the [International Auditing and Assurance Standards Board](#) (IAASB), the IESBA is part of the [International Foundation for Ethics and Audit](#) (IFEA). The [Public Interest Oversight Board](#) (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

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I. Introduction

1. The IESBA unanimously approved the *Using the Work of an External Expert* provisions for the Code at its December 2024 meeting with the affirmative votes of 17 out of the 17 IESBA members present.
2. This Basis for Conclusions is prepared by IESBA staff and explains how the IESBA has addressed the significant matters raised on exposure and in the course of finalizing the provisions. It relates to, but does not form part of, the *Using the Work of an External Expert* revisions¹ set out in the final pronouncement.
3. The *Using the Work of an External Expert* provisions introduce new sections in Parts 2 and 3 of the Code and include changes to Sections 220 and 320. They also include revisions to the Glossary and consequential amendments in Sections 120, 230, 280, 380, 600 and 950 of the Code.
4. The provisions also introduce a new Section 5390 which is an integral part of the *International Ethics Standards for Sustainability Assurance*TM (including *International Independence Standards*TM) (*IESSA*) and *Other Revisions to the Code Relating to Sustainability Assurance and Reporting*.
5. Unless otherwise specified, the significant comments summarized and the IESBA decisions (including references to paragraphs in Section 390) contained within this Basis for Conclusions are also applicable to Sections 290 and 5390, as relevant.

II. Background

A. Development of the Project Proposal

6. The project arose from IESBA deliberations and stakeholder inputs from a number of recently completed IESBA projects or workstreams. These included:
 - The IESBA's deliberations and questions from the Public Interest Oversight Board (PIOB) in finalizing the Engagement Team – Group Audits (ET-GA) project in 2022, including the comment letters to the ET-GA exposure draft.
 - Observations and recommendations from the IESBA Technology Working Group's Phase 2 fact-finding work and final report in 2022.
 - Responses to the IESBA's April 2022 strategy survey.
 - Feedback from the IESBA's April 2022 Tax Planning Global Roundtables.
7. Specifically, questions were raised with respect to:
 - In an audit or assurance context, whether the nature of the work of an external expert² and their contribution to the audit or assurance opinion should call for them to be independent, similar to other individuals who are part of the engagement team in audit and other assurance engagements.

¹ For purposes of this Basis for Conclusions, the reference to the extant Code is to the 2024 edition of the IESBA Handbook, which includes the most recent IESBA-approved revisions.

² External experts are specifically excluded from the definitions of Engagement Team, Audit Team and Assurance Team in the Code because they are not under the direction, supervision and review of the firm.

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- Whether the role of experts providing sustainability-related services is sufficiently addressed in the Code, in particular given the growing involvement of experts in such area.
 - What are factors that professional accountants (PAs) should consider to gain confidence that the expert is objective, and the work of such expert could be used and relied upon for the PA's purposes, and whether the Code can serve as a basis for PAs to make such an assessment.
 - Whether PAs who are not equipped with the necessary expertise or experience to advise the client (for PAs in public practice (PAPPs)) or employing organization (for PAs in business (PAIBs)) in certain situations, and therefore need to rely upon the judgments of other firms or experts with the appropriate competencies, can assume that such firms or experts will operate within a similar ethical framework as PAs.
8. Further, the IESBA recognized the need to consider the ethics, including independence, implications of:
- PAPPs using the work of experts in providing non-assurance services (NAS).
 - Non-PAs using the work of experts in the context of the development of ethics, including independence, standards for all sustainability assurance practitioners (SAPs) in Part 5 of the Code.
 - Using experts in sustainability assurance engagements under a framework-neutral approach with respect to the sustainability assurance standards used to perform a sustainability assurance engagement (i.e., not limiting the interoperability of those new standards with just the International Auditing and Assurance Standards Board's (IAASB's) standards).
9. Given this backdrop, in December 2022, the IESBA approved the [project proposal](#) to address the ethics, including independence considerations,³ relating to the use of all experts, whether employed⁴ or externally engaged (i.e., hired) by an employing organization or firm. For PAPPs, that is the use of experts in (a) audit, sustainability and other assurance engagements, and (b) the provision of professional services other than audit and assurance services. For PAIBs, it is the use of experts in the preparation of financial and non-financial information.

B. Exposure Draft

10. In January 2024, the IESBA released the Exposure Draft, [Using the Work of an External Expert](#) (ED) with a comment deadline of April 30, 2024.
11. To address the relevant ethical considerations, the ED proposals introduced:
- New definitions of “expert” and “expertise,” and a revised definition of “external expert.”

³ The IESBA's considerations with respect to independence considerations for external experts whose work is used in an audit or other assurance are set out in paragraphs 22 to 25 and 75 to 83 of the *Using the Work of an External Expert's Explanatory Memorandum (EM)*.

⁴ The IESBA's considerations with respect to internal experts (i.e., those employed by a PA's employing organization or firm) are set out in paragraphs 14 to 21 of the EM.

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- New requirements to guide a PA's evaluation of whether an external expert has the necessary competence, capabilities and objectivity (CCO), including a prohibition on using the work of an external expert if it is determined that such expert does not have the necessary CCO.
 - Additional requirements focused on evaluating an external expert's objectivity in an audit, review or other assurance engagement.
 - Specific guidance regarding identifying, evaluating, and addressing the potential threats to compliance with the fundamental principles when a PA is using the work of an external expert.
12. The proposals focused on using the work of an external expert for PAIBs, PAPPs and SAPs. In developing the proposals, the IESBA also considered, in accordance with the project proposal, the ethics, including independence, implications of using the work of internal experts. These considerations are set out in the EM, resulting in the provisions focusing only on the use of the work of external experts.
13. Sixty-four comment letters in response to the ED were received. On balance, respondents across stakeholder groups and regions expressed support for the ED proposals. Respondents also provided various suggestions for refinement or clarification or additional examples to enhance the provisions.
14. The IESBA has considered these various suggestions and, where appropriate, has reflected them in the final provisions. The IESBA also noted a number of suggestions from respondents for non-authoritative material to be developed and will consider these suggestions as part of the rollout of the final standards.
15. The IESBA also conducted targeted outreach with investors and others within the user community (twenty-one individuals from fourteen organizations) to ensure that their inputs are considered, weighed and balanced alongside those of the ED respondents. In particular, the outreach sought to assess whether the proposals support the needs and interests of investors/users. Outreach participants were overall supportive of the ED proposals and a few provided suggestions for enhancement which are addressed in this Basis for Conclusions.

C. About the Using the Work of an External Expert Provisions

16. Using the work of an external expert might create threats to a PA's or SAP's compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.
17. This is because there might be potential over-reliance on the external expert's work by the PA or SAP, and hence threats to the PA's or SAP's compliance with the fundamental principles might be created if the external expert's CCO are not appropriately evaluated.
18. The new sections 390, 290 and 5390 therefore establish an ethical framework to guide PAPPs, PAIBs and SAPs, respectively, in evaluating whether an external expert has the necessary CCO for the PA or SAP to use the expert's work for the intended purposes.
19. If the PA or SAP determines that the external expert is not competent, capable or objective, the Code prohibits the PA or SAP from using the external expert's work.
20. The provisions also guide a PA or SAP in applying the Code's conceptual framework when using the work of an external expert.

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21. The provisions have been developed using a principles-based approach so that the Code can remain relevant and fit for purpose as business and market practice evolve, particularly regarding the use of external experts in emerging or developing fields such as in the context of ongoing rapid transformations in technology and sustainability.
22. Consistent with any other provisions of the Code, the provisions in the final pronouncement do not override laws and regulations prevailing in a given jurisdiction. Further, extant paragraph 100.7 A1 of the Code remains applicable, i.e., where a jurisdiction has provisions that differ from or go beyond those in the Code, PAs need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

III. Public Interest Framework

23. In developing the ED and finalizing the provisions, the IESBA leveraged the Public Interest Framework (PIF)⁵ to guide the public interest responsiveness of the standards. The IESBA evaluated whether the provisions achieve the public interest objectives set out in the project proposal, and appropriately incorporate the key PIF qualitative standard-setting characteristics. The following represents the IESBA's assessment of the provisions against the relevant PIF qualitative characteristics:

- (a) *Comprehensiveness*: through limiting the extent to which there are exceptions to the principles set out in the proposed standard.

The IESBA noted that the provisions do not provide exceptions to the prohibition on using the work of an external expert when it is determined that such expert does not have the necessary CCO.

Furthermore, the provisions cover the use of external experts in all contexts – audit, review and other assurance (including sustainability assurance) engagements, NAS, as well as for PAIBs.

- (b) *Scalability*: including the proportionality of the standard's relative impact on different stakeholders e.g., how a standard addresses the audit, review or other assurance needs of small and medium sized enterprises (SMEs) as well the needs of complex, listed entities.

The IESBA determined that the final provisions have been appropriately calibrated to achieve proportionality, distinguishing the provisions applicable to audit and review clients that are PIEs from those applicable to non-PIEs, as well as the nature of the engagement (i.e., assurance vs non-assurance).

There is also scaling for greater rigor in evaluating objectivity for external experts whose work is used in an audit, review and other assurance context, while also recognizing that the level of threat to an external expert's objectivity is inherently higher for PIE audit clients versus non-PIE audit clients, consistent with the concept set out in the extant Code, paragraph 300.7 A3.

⁵ See the PIF published by the Monitoring Group in July 2020 (as part of its report "[Strengthening the International Audit and Ethics Standard-Setting System](#)"). The PIF sets out a framework for the development of high-quality international standards by the IESBA that are responsive to the public interest. Among other matters, the PIF explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

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- (c) *Clarity and conciseness*: to enhance understandability and minimize the likelihood of differing interpretations, and thus supporting proper intended application and facilitating implementation.

The IESBA noted that the provisions clearly distinguish among internal, external and management's experts. In addition, the provisions also explicitly scope out the types of external individuals or organizations whose work is not covered by the provisions, responsive to stakeholders' input.

- (d) *Implementability*: ability of being consistently applied and globally operable across entities of all sizes and regions, as well as considerations of the different conditions prevalent in different jurisdictions.

The IESBA noted that the approach to the evaluation of an external expert's objectivity by a PA/non-PA practitioner appropriately recognizes the different facts and circumstances that might arise across entities and jurisdictions, recognizing that external experts themselves might not have the systems of quality management in place to specifically monitor the information requested in the provisions.

This approach also recognizes that the imposition of independence requirements on external experts in an audit, review or other assurance context would be burdensome, inoperable and unenforceable on such experts.

- (e) *Enforceability*: through clearly stated responsibilities that make it possible to ascertain the extent to which an auditor or PA has complied with the standards.

The IESBA reviewed the requirements and considered that they are clear. In addition, the provisions place the onus on the external expert to provide the requested information to the PA in writing. The IESBA believes this will enhance the care and thoughtfulness the external expert is expected to apply in fulfilling the request, and reduce misunderstandings.

24. The IESBA further concluded that the provisions achieve the desired public interest objectives in the project proposal as they:

- (b) Set out a consistent global baseline of ethical behavior when PAIBs, PAPPs and SAPs use the work of an external expert, consistent with their responsibility to act in the public interest under the Code, which did not exist in the Code previously;
- (c) Address the competence, capabilities and objectivity of external experts used in any professional service; and
- (d) Incorporate additional rigor for external experts whose work is used in audit, review and other assurance (including sustainability assurance) engagements, recognizing the heightened public interest in such engagements.

IV. Coordination with the IAASB

25. Respondents to the IESBA ED, *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating*

to *Sustainability Assurance and Reporting*, and the IAASB's ED of ISSA 5000⁶ highlighted the importance of coordination between the two Boards on key concepts and terminology and certain specific matters.

26. Both Boards were fully committed to alignment on the identified coordination matters. Ongoing coordination between the respective Task Forces and staff of the Boards took place throughout the Boards' respective projects. This included a meeting in July 2024 of the Board Chairs, Task Force Chairs, project team leaders and senior staff of the Boards to discuss the status of the coordination matters and any further actions needed to achieve alignment. The status of the identified coordination matters was also discussed during a joint plenary session of the two Boards in September 2024, where there was concurrence on the coordinated positions reached on those matters. Ongoing coordination with the IAASB continued as the IESBA finalized its provisions in December 2024.

V. Significant Matters

A. Scoping

Background

27. The ED focused on using the work of an external expert when their work is used by a PAIB, PAPP or SAP.

Summary of Comments Received on Exposure

28. Respondents were generally supportive of the scoping, but requested clarification on how the proposed provisions are interoperable with the IAASB's performance standards which include requirements and guidance on using the work of an auditor's or practitioner's expert, such as in ISA 620⁷ and ISSA 5000. In this regard, some respondents noted that the ED's proposed requirement to evaluate an expert's CCO and some of the CCO factors relevant to such evaluation are already captured in the IAASB's standards. Furthermore, these respondents noted that the IAASB's standards are applicable to both experts employed by a firm and experts externally engaged by a firm.
29. Additionally, a few questions were raised by respondents around whether the provisions would scope in:
- Close business relationships with an external expert, for example, when a firm enters into a business partnership with an external expert.
 - The use of subcontractors in a NAS, for example, when specific expertise or additional staffing is needed by the team or due to a client's request for specific expertise on the project through a single contract, with the firm overseeing all workstreams, including those delivered by the experts.
 - The use of the work of cyber-security experts and data providers providing value chain information through common platforms.

⁶ International Standard on Sustainability Assurance™ (ISSA™) 5000 *General Requirements for Sustainability Assurance Engagements and Conforming and Consequential Amendments to Other IAASB Standards Arising from ISSA 5000*

⁷ International Standard on Auditing™ (ISA™) 620, *Using the Work of an Auditor's Expert*

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30. Respondents also requested more sustainability-related examples of work that an external expert could undertake.

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31. The IESBA acknowledged that the proposed requirement in the ED to evaluate CCO and some of the CCO factors to facilitate such evaluation are also captured in the IAASB's performance standards, which cover both internal experts employed by the firm and externally engaged experts.
32. The IESBA considered that this perceived duplication is a natural outcome of the framework-neutral approach both the IESBA and IAASB have taken in developing their respective standards. While the IESBA's and IAASB's standards serve different purposes, they have an overarching common theme which is the expert's CCO:
- The IAASB's performance standards address whether the work of the auditor's or practitioner's expert (internal or external) is adequate for the auditor's or practitioner's purposes, for example, whether such work can assist the auditor or practitioner in obtaining sufficient appropriate evidence. Therefore, CCO are factors that significantly affect whether the work of the expert will be adequate for the auditor's or practitioner's purposes.
 - The Code sets out the ethical expectations for a PA or SAP when using the work of an external expert. This is because a self-interest or advocacy threat to the PA's or SAP's compliance with the principles of integrity, objectivity and professional competence and due care might be created if the PA or SAP uses the work of an external expert who does not have the necessary CCO to deliver the work for the PA's or SAP's purposes.
33. Accordingly, to highlight the interoperability of the performance standards and ethical standards and their different purposes, the IESBA determined to add:
- (a) An explanation that other professional standards might address the CCO of an external expert as factors that significantly affect whether the work of the external expert will be adequate for the PA's purpose (paragraph 390.3); and
 - (b) An explicit scope-out that (i) the provisions do not address a PA's evaluation of the adequacy of an external expert's work for the PA's purposes, and the implications for the engagement if the PA determines that such work is not adequate; and (ii) other professional standards might address such implications (paragraph 390.4 A5).
34. The IESBA further noted that unlike the IAASB's standards, the Code also addresses PAIBs and PAPPs performing NAS. Therefore, the provisions also address whether an external expert has the necessary CCO in such circumstances.
35. The IESBA also reaffirmed that the provisions should focus on external experts because as explained in the EM, there are a number of practical challenges to applying the provisions in the Code to internal experts in a PAIB's employing organization. In addition, an internal expert employed by a firm who is used in:
- (a) A NAS would already be subject to (i) the firm's system of quality management or other policies and procedures addressing hiring, competence and resourcing, and (ii) the ethical provisions of the Code as the firm is subject to the Code; and

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- (b) An audit, review or other assurance engagement would be either part of the engagement team or audit team or assurance team, and therefore would already be subject to the Code's independence requirements.

Alignment with IAASB

36. The IESBA and IAASB had coordination discussions on the matters set out in paragraphs 31 to 35 above. Both Boards agreed that there is full alignment and interoperability between the revised provisions and IAASB standards, recognizing the different scopes and purposes of the IAASB standards and the Code as explained above.

Other Matters Raised

37. Regarding questions raised by respondents around whether the provisions would scope in:

- Close business relationships with an external expert – Paragraph 390.2 already made it clear upfront that the provisions are only applicable when a PA uses an external expert in a professional service.
- The use of subcontractors in a NAS – The IESBA determined to add paragraph 390.4 A4(b) to scope out the use of the work of individuals or organizations that are engaged by the PA and are under the accountant's direction, supervision and review (DSR).

In this regard, the IESBA considers that DSR over a subcontractor would include, for example, informing the subcontractor about their responsibilities, tracking the progress of their work, and reviewing their work, with considerations such as whether there is a need to revise the nature, timing and extent of the work performed and whether the work performed supports the conclusions reached and is appropriately documented.

- The use of the work of cyber-security experts and data providers providing value chain information through common platforms – The IESBA noted that the general principles governing scoping apply. Thus, depending on the specific facts and circumstances, a PA using the work of:
 - A cyber-security expert *might* fall outside or within the scope of these provisions, depending on whether or not the expert is under the PA's DSR under paragraph 390.4 A4(b).
 - Data providers who provide value chain information through common platforms *might* fall outside or within the scope of these provisions, depending on whether or not such information is for general use under paragraph 390.4 A4(c).

38. In respect of respondents' request to incorporate more sustainability-related examples of work that external experts could undertake, two further examples were added in Sections 290 and 390, while four were added in Section 5390 since it is specific to sustainability assurance.

B. Definitions

Background

39. The ED proposed new definitions of “expert”⁸ and “expertise”⁹ to distinguish experts from others providing data or other information for a PA’s or SAP’s use.

Summary of Comments Received on Exposure

40. Regarding the proposed definition of “expertise,” many respondents highlighted the inconsistency created with the IAASB’s existing definition of “expertise.” They emphasized that the element of “experience” is a valuable and essential quality to complement “knowledge and skills,” and therefore should be explicitly incorporated into the definition of “expertise.”
41. These respondents also emphasized that consistent definitions are key to facilitate the interoperability and application of the respective requirements of ISA 620 and ISSA 5000 with the IESBA provisions.
42. On the proposed definition of “expert,” some respondents questioned why it is defined as expertise that is outside a PA’s or SAP’s competence, while a PA or SAP is required to evaluate an external expert’s competence and not their expertise.

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Definition of Expertise

43. The IESBA acknowledged the respondents’ concerns about the inconsistency and potential lack of interoperability that would result from the different definitions of the term “expertise.” The IESBA therefore determined to revise the definition of expertise to include the element of experience, fully aligning the definition with that in ISA 620. The extant Code has been revised as necessary to reflect consequential amendments arising from the revised definition.

Alignment with IAASB

44. The IESBA and the IAASB had coordination discussions regarding the definition of expertise. Both Boards agreed that the definition of expertise should be aligned, and that experience is an important element of the definition.

Definition of Expert and Evaluation of the External Expert’s Competence

45. The IESBA noted that the reference to the PA’s competence in the definition of “expert” refers to the PA’s obligation to comply with the fundamental principle of professional competence and due care (PC&DC) as set out in extant paragraph R113.1.
46. This means that while a PA is expected to attain and maintain professional knowledge and skills at the level required to ensure that a client or employing organization receives competent professional

⁸ “An individual possessing expertise that is outside the PA’s or SAP’s competence.”

⁹ “Knowledge and skills in a particular field.” This proposed definition differed from that in ISA 620, which is “skills, knowledge and experience in a particular field.”

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service, the PA might not necessarily have the expertise (i.e., skills, knowledge and experience in a particular field) for a specialized subject matter.

47. For example, a PA who has the competence to perform an audit of a mining company might not have the expertise specific to the valuation of mining reserves. In such circumstances, a threat to the fundamental principles is created if the PA carries out the audit engagement when the PA lacks such expertise.
48. Regarding why the external expert is evaluated for their competence and not expertise, the IESBA determined to add paragraph 390.6 A1 to explain the relationship between the external expert's expertise and the evaluation of the external expert's competence. That is, *competence [of the external expert] relates to the nature and level of expertise of the external expert*. This additional guidance aligns with that in ISA 620, paragraph A14.

C. Evaluating the External Expert's Competence, Capabilities and Objectivity

Background

49. The ED introduced a requirement for the PA to evaluate whether the external expert has the necessary CCO for the accountant's purpose. It also proposed application material to assist the PA in such evaluation.

Summary of Comments Received on Exposure

50. Respondents generally supported the approach with various comments. The significant comments were largely around:
 - The evaluation of the external expert's objectivity. There were views that the IESBA should allow the consideration of safeguards when threats to an external expert's objectivity are identified. These respondents noted that such an approach would be consistent with the extant Code and is also reflected in ISA 620, paragraphs A18 and A19.
 - The timing of the CCO evaluation. There were views that it should be completed prior to the external expert starting their work. The concerns expressed included (a) the unnecessary costs or delay that would arise if the external expert is determined not to have the necessary CCO but the expert's work has already begun, and (b) the perceived pressure on the PA to "overlook" issues with the external expert's CCO if the expert's work is already far advanced.
 - The need to have a continuous or regular assessment of the external expert's CCO in order to reflect the dynamic conditions in which PAs will be applying the provisions. For example, there might be changes in the nature, scope, and/or objective of the work after the terms of the engagement have been agreed. In addition, a few respondents highlighted that the exercise of professional judgment when evaluating the external expert's CCO and the use of the reasonable informed third party test should be made explicit in the provisions.
 - The need to clarify the period of evaluation for an external expert's objectivity when their work is used in a NAS.
 - Suggestions of other factors that might facilitate a PA's evaluation of an external expert's CCO.

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51. The IESBA accepted respondents' argument that there might be actions that could be taken that might address threats to an external expert's objectivity. However, there are no safeguards that can address circumstances where an external expert does not have the necessary competence or capabilities.
52. Accordingly, the IESBA determined to take a full conceptual framework approach in the revised provisions in relation to the evaluation of the external expert's objectivity. Thus, in addition to the factors proposed in the ED which are relevant to identifying threats to the external expert's objectivity, the IESBA has added:
 - Factors relevant to evaluating the level of identified threats to an external expert's objectivity (paragraphs 390.8 A5 and 390.18 A2).
 - Examples of actions that might eliminate such threats (paragraph 390.18 A3).
 - Examples of actions that might be safeguards to address such threats (paragraphs 390.8 A6 and 390.18 A4).
53. In developing these new provisions, the IESBA took into account suggestions provided by respondents and reviewed the extant Code's ethics and independence provisions set out in Sections 340, 410, 510, 520, 521 and 522 to develop analogous examples of relevant factors and actions for evaluating and addressing threats to an external expert's objectivity.

Alignment with the IAASB

54. The IESBA and IAASB had coordination discussions on whether safeguards could be relevant to the evaluation of CCO. Both Boards agreed to the position set out in paragraph 51 above.

Pressure on the PA Due to Timing of the Completion of the CCO Evaluation

55. The IESBA acknowledged the views from respondents that the CCO evaluation should be completed prior to the start of the external expert's work. However, the IESBA anticipates that when agreeing the terms of engagement and scheduling the start of the external expert's work, the PA would exercise professional judgment.
56. This means balancing the potential benefits of having the external expert begin their work simultaneously with the PA's evaluation of the external expert's CCO, and the potential risk of later determining that the expert does not have the necessary CCO.
57. In practice, as part of the planning process, the PA may consider it in the PA's interests to complete the CCO evaluation before the external expert begins work. However, in some circumstances, the need for an external expert might not be determined until after the PA's engagement has begun, given that planning is a dynamic process. Accordingly, the IESBA did not believe that the Code should be overly prescriptive in this regard.
58. Nevertheless, the IESBA recognizes that this could indeed create pressure on the PA to overlook issues relating to the external expert's CCO. Accordingly, the IESBA determined to highlight this risk and the PA's responsibilities under the Code when facing pressure by introducing paragraph 390.10 A2.

Other Matters Raised

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59. The IESBA accepted that there is a need to reassess the external expert's CCO especially when facts and circumstances change in the dynamic environment. Accordingly, the IESBA determined to add a new requirement for the PA to re-evaluate whether the external expert has the necessary CCO for the PA's purpose when new information or changes in facts and circumstances arise (paragraph R390.19).
60. Responsive to respondents' comments, the IESBA also determined to:
- Add paragraph 390.10 A1 to recognize the criticality of the PA's exercise of professional judgment and use of the reasonable and informed third party test in the evaluation of an external expert's CCO.
 - Revise paragraph 390.8 A2 (ED paragraph 390.6 A4) to specify the period for evaluating an external expert's objectivity for a NAS.

In this regard, the IESBA also considered whether (i) the period of objectivity specified here needs to be a requirement, and (ii) the Code should specify that this period does not preclude the longer period required for audits, reviews and other assurance engagements.¹⁰

The IESBA did not believe that this would be necessary because the basic requirement for all professional services in R390.8 is to evaluate whether the external expert has the necessary objectivity for the PA's purpose. In this case, paragraph 390.8 A2 provides the guidance to make that objectivity evaluation, including the period of evaluation.

For an audit, review or other assurance engagement, the public interest is higher. Therefore, there are extended requirements for objectivity for these engagements so that the PA can evaluate whether the external expert has the necessary objectivity for the PA's purpose in those contexts.

- Incorporate examples of factors and other matters suggested by respondents, as the IESBA determined appropriate, in paragraphs 390.6 A2, 390.8 A2, and 390.8 A4.

D. Additional Objectivity Considerations for an Audit, Review or Other Assurance Engagement

Background

61. As stated in the EM, stakeholders have heightened expectations regarding an external expert's objectivity in the context of an audit, review or other assurance engagement. Therefore, the ED set out additional required actions in evaluating the objectivity of an external expert in an audit, review or other assurance engagement. These included, in particular, requesting specific information from the external expert.
62. The IESBA drew the list of items of information to be requested from the external expert from the independence attributes applicable to a PA in an audit, review or other assurance context to provide a basis for the PA's evaluation of whether the external expert has the necessary objectivity in an

¹⁰ References to "other assurance engagements" in the context of Section 390 in this Basis for Conclusions are to other assurance engagements outside the scope of Part 5. Section 5390 in Part 5 addresses using the work of an external expert in the context a sustainability assurance practitioner providing professional services, including assurance engagements, to the same sustainability assurance client.

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audit, review or other assurance engagement. The IESBA's intent was to raise the bar for the objectivity of an external expert to a sufficiently high level for the work of the external expert to be used in the context of an audit, review or other assurance engagement.

Summary of Comments Received on Exposure

63. Respondents had mixed views about the proposed approach. The significant comments were largely around:
- The period of evaluation of the external expert's objectivity, which some felt was too long.
 - The extent of the information required to be requested from the external expert, which some felt would be unduly onerous. There were views that this would create barriers to using the work of an external expert for small and medium practices (SMPs) due to a concern that the extent of the request seemed disproportionate, and that this could hamper SMPs in securing external experts, leading to concerns that the requirement would be detrimental to high-quality audits.
 - The scope of information required to be requested from the external expert, which some felt was too broad as it covered the external expert's immediate family members, external expert's employing organization, all members of the external expert's team and controlling owners of the external expert.
 - Potential challenges with implementation, because there were concerns that the external expert likely would not have systems in place to monitor the interests and relationships referred to in the provisions, resulting in an inability to provide the information requested or potential questions about the accuracy of the information provided.
 - Concerns over confidentiality, data privacy and other laws and regulations that might restrict the external expert from providing the information to the PA.
64. A few respondents suggested additional information to be requested from the external expert regarding ED paragraph R390.8 (now paragraph R390.14), and also to elevate the application material in ED paragraph 390.11 A1 (now paragraph R390.16) to a requirement with respect to requesting information about the external expert's interests, relationships and circumstances with the PA's client (where it is not the entity at which the external expert is performing the work).
65. There were also some suggestions to clarify the drafting of the provisions and some observations that because the external expert is a non-PA, they might not understand the various items of information requested in the bullets.

IESBA Decisions

Period of Evaluation of the External Expert's Objectivity

66. The IESBA acknowledged the concerns that the period of evaluation of the external expert's objectivity was too long (i.e., as per the ED, the period covered by the audit or assurance report and engagement period), and might give rise to practical difficulties for the external expert in responding to the information request.
67. In this regard, the IESBA recognized that often, the expert's work might be completed in a relatively short period, which might be prior to the end of the period covered by the audit or assurance report.

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Therefore, to require the expert to provide forward looking information as of a point in time until the end of the engagement period/issuance of the report, would be impracticable.

68. Accordingly, the IESBA determined to revise the period with respect to which the information is requested from the external expert so that it begins from the start of the period covered by the report until the completion of the expert's work.
69. However, to mitigate the risk of missing any changes in information that might occur during the period between completion of the expert's work and report issuance, the IESBA added paragraph R390.5(b)(ii) to require the PA to obtain a commitment from the external expert to communicate any changes in the initial information provided. The IESBA also revised ED paragraph R390.10 (now paragraph R390.20) to explicitly link to R390.5(b)(ii) with respect to the PA's obligation to evaluate such information when it is received.
70. The IESBA is of the view that these changes appropriately address the concerns of respondents regarding the period of evaluation of the external expert's objectivity, while still allowing the PA to be able to understand any changes in circumstances that might impact the external expert's objectivity up to report issuance.

Extent of the Information Required to be Requested

71. The IESBA considered the concerns expressed over the perceived undue burden from the extent of information required to be requested by SMPs, as they generally do not undertake as many audits and reviews for clients that are public interest entities (PIEs) as compared to larger firms.
72. In considering this matter, the IESBA reflected on the observation that, depending on the facts and circumstances, the likelihood of an external expert having the interests, relationships and circumstances set out in paragraph R390.14, beyond those in paragraph R390.12, will generally be lower for non-PIE clients with less complex operations than non-PIE clients with more complex operations.
73. Taking the above consideration into account and acknowledging the need for a more proportionate approach, the IESBA determined to delineate the provisions addressing the request for information from an external expert (in the context of audits, reviews and other assurance engagements) between non-PIE and PIE clients to achieve greater proportionality:
 - For an audit or review engagement for a PIE client, ED paragraph R390.8 (now R390.14) is still relevant, consistent with the extant Code which already recognizes the heightened public interest in audit and review engagements for PIE clients.
 - For an audit or review engagement for a non-PIE client or any other assurance engagements:
 - The PA is required in paragraph R390.12 to request three key pieces of information from the external expert. This baseline recognizes that for non-PIEs with less complex operations, it will generally be easier for the external expert to have knowledge of all aspects of their relationship with the entity. Accordingly, the risk that other interests, relationships and circumstances between the external expert and the entity will not be considered will be low.
 - The PA is required in paragraph R390.13 to consider the need to request other information from the external expert based on the facts and circumstances. This

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recognizes that for non-PIEs with more complex operations, there may be a greater likelihood of the external expert having additional interests, relationships and circumstances with the entity.

To facilitate this further consideration, additional guidance has been provided in paragraphs 390.13 A1 and A2. Paragraph 390.13 A1, through a reference to the list of information in paragraph R390.14, provides the PA with examples of additional types of other information that might be requested from the external expert for the objectivity evaluation. Paragraph 390.13 A2 then sets out factors that are relevant in determining whether additional information should be requested from the external expert.

The IESBA believes that this approach recognizes that non-PIE audit and review reports, as well as reports for other assurance engagements, also have users who need trust and confidence in such reports (for example, lenders, insurers, contracting parties, etc.). Hence, the additional rigor with respect to the objectivity evaluation is necessary, while balancing proportionality based on the range of facts and circumstances for a non-PIE.

74. The IESBA further noted that this approach is consistent with the principles of the extant Code. In particular, paragraph 300.7 A3 explains that a PA's *evaluation of the level of a threat* [to compliance with the fundamental principles] might be impacted by whether a client is a PIE audit client, whether the professional service is an audit, review or other assurance engagement, and whether the professional service is a NAS.
75. The IESBA also noted that the delineated approach between non-PIEs and PIEs is with respect to the *request for information* to facilitate the PA's objectivity evaluation, and not the objectivity expected of the external expert (as highlighted in the EM¹¹). The IESBA further noted that the delineation does not detract from the fundamental public interest objective of these provisions, which, as set out in the EM, is to establish clear ethical expectations when a PA uses the work of an external expert. The PA still has the obligation to evaluate whether the external expert has the objectivity necessary for the PA's purpose.
76. In determining the minimum information to be requested from the external expert for audits and reviews for non-PIEs and all other assurance engagements, the IESBA deliberated whether to include other types of information such as material lending relationships, material close business relationships, employment or director positions, contingent fees not yet resolved, interests of any controlling owners of the external expert in the client, and actual or potential litigation. The IESBA came to the view that a longer list of items would blur the line between non-PIE and PIE audit/review engagements and detract from the proportionality objective. Further, a longer list would raise the question as to whether the same list should be used for PIEs and non-PIEs.
77. After due consideration, the IESBA determined that no additional items should be added to the required list. This is because paragraphs R390.13¹² and R390.17¹³ guide the PA to exercise

¹¹ "...unlike in the context of independence provisions where the Code can set out specific prohibitions pertaining to PIE audit clients versus non-PIE audit clients, the fundamental principle of objectivity cannot differ for different clients given that it concerns ethical behavior." (paragraph 84 of the EM)

¹² Where the client is the entity at which the work is performed

¹³ Where the client is not the entity at which the work is performed

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appropriate professional judgement based on the facts and circumstances (using the guidance set out in paragraphs 390.13 A2 and 390.17 A2), to determine whether additional information (as guided by paragraphs 390.13 A1 and 390.17 A1) needs to be requested from the external expert. The IESBA further noted that nothing in paragraph R390.12 precludes the PA from requesting additional information from the external expert for purposes of the objectivity evaluation.

Scope of Information to be Requested

78. The IESBA considered whether to narrow the scope of individuals and organizations related to the external expert that should be covered in the evaluation of the external expert's objectivity.
79. Recognizing stakeholders' heightened expectations regarding an external expert's objectivity when the external expert is used in an audit, review or other assurance engagement, the IESBA reaffirmed its view that the provisions are appropriate. This is because the external expert should be evaluated for objectivity using similar categories of attributes, timeframe and types of individuals considered as the PA is assessed for independence purposes, given the external expert's participation in the audit, review or other assurance engagement alongside audit, review or assurance team members.
80. However, the IESBA noted that there is a difference in the approach to the evaluation of the external expert's objectivity (which is through the application of the conceptual framework), vs. the approach to the assessment of independence required of audit or assurance team members (which, besides the application of the conceptual framework, also involves explicit prohibitions in relation to specific interests, relationships and circumstances).

Implementation Challenges

81. As stated in the EM, in the context of applying these provisions, the IESBA does not expect an external expert to set up, or have in place, a system of quality management similar to that expected for a firm or assurance practitioner. This is because the Code does not impose direct requirements on external experts, unless they are PAs, and such a system of quality management would not be enforceable on external experts because they are not in the assurance business.
82. This means that where a PA requests an external expert to provide information on any of the items listed in paragraphs R390.12 to R390.17 (for example, any direct financial interest or material indirect financial interest held by the external expert, their immediate family, or the external expert's employing organization in the entity at which the expert is performing the work), the IESBA does not expect the external expert to set up an internal monitoring process on the financial interests of all of these parties.
83. Instead, with due notice when agreeing the terms of engagement, the expert is afforded the opportunity to take the appropriate steps, in good faith, to gather the necessary information to disclose to the PA.
84. Accordingly, the IESBA has emphasized this point in the lead-in of paragraphs R390.12 to R390.17 by adding "*to the best of their [the external expert's] knowledge and belief*" to convey the expectation the external expert is to meet when requested to provide the information.
85. In considering the questions raised by respondents as to whether the information provided by the external expert is accurate, the IESBA also deliberated whether paragraphs R390.12 to R390.17 could be fulfilled through the provision of the information orally, and whether the external expert is

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expected to perform any additional work to gather such information to enable the expert to respond to the questions in good faith.

86. The IESBA believes that it would be overly prescriptive for the Code to require the external expert to perform any additional work to gather the necessary information in order to be able to provide the information requested to the best of the expert's knowledge and belief. The IESBA observed that a general legal meaning of "best knowledge" means "both what a person knew as well as what the person should have known had the person exercised reasonable diligence,¹⁴ and that "reasonable diligence" means "a fair, proper, and due degree of care and activity, measured with reference to the particular circumstances; such diligence, care, or attention as might be expected from a man of ordinary prudence and activity."¹⁵
87. Nevertheless, the IESBA agreed that it is important to elevate the care and thoughtfulness applied by the external expert in responding, to the best of their knowledge and belief, to the PA's information request. To achieve this intended outcome, and minimize the risk of misunderstandings between the PA and the external expert, the IESBA determined to require that the information from the external expert be provided in writing:
- The PA is required to first ensure that the external expert agrees to the provision of information in writing to facilitate the PA's evaluation of objectivity when agreeing the terms of engagement in paragraph R390.5(b)(i).
 - The PA is then required to request the external expert to provide, in writing, the specified information set out in paragraphs R390.12 to R390.17, as applicable.
 - Finally, the PA is required to obtain the information requested in writing from the external expert in paragraph R390.28. The IESBA has placed this requirement in the *Documentation* subsection to emphasize the need for the PA to maintain a record of the information obtained from the external expert.
88. The IESBA further considered if the PA should also be required to take the same approach in relation to the evaluation of the external expert's competence and capabilities. While nothing precludes a PA from requesting specific information in writing for such evaluation, the IESBA noted that the requirements to request information from the external expert in writing are focused on the external expert's objectivity because the interests, relationships or circumstances that might impact an external expert's objectivity (such as between the external expert's immediate family and the entity at which the external expert is performing work) are intimate details that are likely not to be available unless provided by the external expert. Accordingly, the IESBA determined that there was no compelling need for information to be in writing in relation to the evaluation of the external expert's competence and capabilities.

Availability of Information and Confidentiality Concerns

89. The IESBA noted the concerns over the availability of information. However, the IESBA is of the view

¹⁴ Law Insider, "[Best Knowledge](#)"

¹⁵ The Law Dictionary, "[Reasonable Diligence](#)"

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that threats to the PA's compliance with the fundamental principle of objectivity will be at an unacceptable level if the PA uses the work of an external expert where the PA lacked the information needed to evaluate whether the external expert has the necessary objectivity. In such circumstances, paragraph R390.21(a) would be triggered because the PA is unable to determine whether the external expert has the necessary CCO.

90. The IESBA also noted the concerns over confidentiality with respect to the external expert sharing information with the PA. However, the IESBA is of the view that the fundamental premise of the PA needing to have established that the external expert has the necessary CCO cannot be compromised because of such circumstances.
91. In the first instance, if the external expert does not agree to provide the information needed, for any reason including confidentiality, this would mean that the PA and the external expert cannot agree to the terms of engagement in paragraph R390.5.
92. The IESBA then identified three scenarios where subparagraph R390.21(a) would apply:
 - The external expert is unable to provide any of the information requested in paragraphs R390.12 to R390.17 because of a confidentiality restriction in law or regulation.
 - In relation to specific information requested in paragraphs R390.12 to R390.17 concerning the external expert's immediate family or employing organization, the external expert is unable to obtain their consent to such disclosure.
 - Due to changes in facts and circumstances, the external expert is no longer able to provide the information requested for any reason outside of law, regulation or consent (e.g., change of business strategy or management).

This might happen after the external expert has committed to providing such information when agreeing the terms of engagement in R390.5. Such a change in circumstances would then trigger subparagraph R390.5(b)(ii), and the external expert would then be required to communicate to the PA that they can no longer provide such information. Hence, the PA would be unable to determine the external expert's CCO and subparagraph R390.21(a) would apply.
93. In this regard, the IESBA has added paragraph 390.21 A1 to further clarify what would constitute being "unable to determine whether the external expert has the necessary CCO."

Other Matters

94. The IESBA considered the other suggestions provided by respondents on including additional information to be requested, and to elevate the application material in ED paragraph 390.11 A1 to a requirement (now paragraph R390.17). The IESBA has incorporated them as appropriate.
95. Regarding the comments that since external experts are not PAs, they might not understand what is required of them in paragraphs R390.12 to R390.17, the IESBA has added the second sub-bullet of the third bullet of paragraph 390.5 A1 "*the information to be provided by the external expert and the nature of such information.*" This is intended to prompt the PA to have a discussion with the external expert to ensure that they understand the information required to be provided.
96. For non-PA practitioners performing a sustainability assurance engagement, the IESBA noted that there may be a need for appropriate education and training to ensure that they apply the provisions in a consistent manner.

97. For PAs performing an audit, review or other assurance (including sustainability) engagement, the IESBA noted that since the lists of information to be requested are drawn from the existing independence attributes of the Code, PAs should be able to understand what type of information is required from the external expert.

E. Concluding on the External Expert's Competence, Capabilities and Objectivity

Background

98. The ED proposed to prohibit a PA from using the work of an external expert if such expert is determined to not have the necessary CCO for the PA's purposes.

Summary of Comments Received on Exposure

99. Respondents expressed mixed views. The significant comments were as follows:
- A suggestion to clarify that the conclusion regarding the external expert's CCO is in relation to the *necessary* CCO, aligned with the requirement to evaluate if the external expert has the necessary CCO for the PA's purposes in ED paragraph R390.6 (now paragraphs R390.6, R390.7 and R390.8).
 - A suggestion to allow the PA to conclude on an external expert's CCO based on information the PA has been able to obtain from sources other than information provided by the external expert. In this regard, there was a suggestion to replace ED paragraph R390.12(a) (now paragraph R390.21(a)) with "unable to determine whether the external expert is competent, capable and objective."
 - A perceived encroachment on, or inconsistency with, performance standards. In particular, it was noted that ISA 620 does not prohibit using the work of an external expert if the expert is deemed not to have the necessary CCO.
 - A suggestion to allow for alternative procedures when the PA concludes that the external expert does not have CCO so that the external expert's work can be used. It was noted that this would be consistent with ISA 620, paragraph 13(b)¹⁶ or PCAOB's AS 1210.¹⁷

IESBA Decisions

100. Responsive to the feedback, the IESBA determined to revise the wording of the prohibition in paragraph R390.21 to reflect that:
- The conclusion to be drawn by the PA regarding the external expert's CCO is based on whether the expert has the *necessary* CCO for the PA's purpose, aligning with the requirement to evaluate CCO in paragraphs R390.6, R390.7 and R390.8.
 - The determination of CCO is not limited to information provided by the external expert but can be based on sources other than information provided by the external expert, aligning with

¹⁶ If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purpose, the auditor shall perform additional audit procedures appropriate to the circumstances.

¹⁷ PCAOB AS 1210, *Using the Work of an Auditor-Engaged Specialist*

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paragraph 390.9 A1 (revised bullet R390.21(a) reflects this change).

- There are no safeguards capable of being applied if the external expert does not have the necessary competence or capabilities (revised bullet R390.21(b) reflects this change).
- The incorporation of safeguards as a consideration to address identified threats when evaluating an external expert's objectivity (revised bullet R390.21(c) reflects this change).

101. Overall, evaluating and concluding on whether the external expert has the necessary CCO for the PA's purpose will involve the PA applying the conceptual framework by:

- (a) Having an inquiring mind;
- (b) Exercising professional judgment; and
- (c) Using the reasonable and informed third party test.

102. In particular, when applying paragraphs R390.6, R390.7 and R390.8 and the related application material, the PA's exercise of professional judgment would be essential to weigh all the relevant CCO factors against the specific facts and circumstances of the external expert.

103. For example, when evaluating the level of threat to an external expert's objectivity in paragraph 390.18 A2, immaterial or insignificant interests, relationships or circumstances should generally not result in the PA concluding that the external expert is not objective.

104. For external experts used in an audit, review or other assurance engagement, given the heightened public interest expectations from stakeholders, additional requirements and application material with respect to the evaluation required by R390.8 are set out in paragraphs R390.12 to 390.18 A4. However, the evaluation of objectivity nonetheless follows the same principles described in paragraphs 100 to 103 above.

105. The IESBA acknowledged the comments that the prohibition could be seen as encroaching on the remit of performance standards. Accordingly, the IESBA has also added paragraph 390.21 A2 to explain that the prohibition addresses an ethical issue rooted in the PA's compliance with the Code:

If a PA uses the work of such external expert [who has been determined not to have the necessary CCO or where the PA is unable to determine whether such expert has the necessary CCO], this creates threats to the PA's compliance with the principles of integrity, objectivity and professional competence and due care that cannot be eliminated or reduced to an acceptable level by the application of safeguards.

106. To enhance stakeholder understanding of the interoperability between the provisions and ISSA 5000, the IAASB also added application material in ISSA 5000 to highlight what relevant ethical requirements address when using the work of an external expert:

Relevant ethical requirements applicable to the practitioner when using the work of a practitioner's external expert may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to evaluating whether an external expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. Such provisions may prohibit the practitioner from using the work of a practitioner's external expert if the practitioner:

- (a) *Is unable to determine whether the external expert has the necessary competence or*

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capabilities, or is objective;

- (b) *Has determined that the external expert does not have the necessary competence or capabilities; or*
- (c) *Has determined that it is not possible to eliminate circumstances that create threats to the expert's objectivity, or apply safeguards to reduce such threats to an acceptable level.*

107. In relation to performance standards that are not currently open for revision, the IAASB strategy and work plan¹⁸ includes a project to consider narrow scope amendments to ISA 620 and other relevant standards arising from this IESBA project on using the work of an external expert. This IAASB project is anticipated to begin discussions in December 2024.
108. Furthermore, the IESBA and IAASB deliberated at length the comments received in relation to whether alternative procedures can be performed if the external expert does not have the necessary CCO.
109. ISSA 5000 and ISA 620 do not explicitly indicate what the practitioner should do if the practitioner is unable to evaluate whether, or determines that, a practitioner's or auditor's external expert does not have the necessary CCO for the practitioner's or auditor's purposes in accordance with ISSA 5000 and ISA 620 (paragraph 56(a) and paragraph 9, respectively).¹⁹ See also the related application material in paragraph A141 of ISSA 5000 and paragraph 14 of ISA 620, respectively.²⁰ The IAASB noted that it is implicit in the requirements (paragraphs 56 and 57 of ISSA 5000, and paragraphs 9 and 12 of ISA 620) that the practitioner/auditor would be unable to use the work of that expert in those circumstances.
110. In this regard, the IESBA considered whether the output produced by the external expert without the necessary CCO might be akin to information provided by an audit, review or other assurance client where the PA has a duty to perform procedures (i.e., in accordance with ISA 500)²¹ to determine if it constitutes sufficient appropriate evidence.
111. The IAASB expressed its strong view that performing additional procedures over the external expert's work would not compensate for the expert's fundamental lack of CCO. Specifically, it was noted that using the work of such expert would raise audit quality concerns. The IESBA agreed that using the work of such expert would also raise ethical concerns as explained in paragraph 390.21 A2 of the revised text.

Alignment with IAASB

112. The IESBA and IAASB held extensive discussions regarding the matters set out in paragraphs 105

¹⁸ [IAASB Strategy and Work Plan \(2024 to 2027\)](#)

¹⁹ The practitioner/auditor shall evaluate whether the practitioner's/auditor's expert has the necessary CCO for the practitioner's/auditor's purposes.

²⁰ The CCO of a practitioner's/auditor's expert are factors that significantly affect whether the work of the practitioner's/auditor's expert will be adequate for the practitioner's/auditor's purposes.

²¹ ISA 500, *Audit Evidence*. Following public consultation on the proposed revisions to ISA 500 (Revised), the finalization of the project has been combined with the initiation of a broader integrated project which includes the review of other extant ISAs.

to 111, with both Boards fully aligned on the positions set out.

VI. Other Matters

113. Other matters raised by respondents included the following:

A. External Expert's Employing Organization

114. The IESBA noted a concern that the phrase "external expert's employing organization" might not be understood correctly, and that for external experts operating within a group structure, this could be interpreted as including other companies in the group. The IESBA's intent is the organization that directly employs the external expert, rather than the ultimate parent entity within a group structure or other intermediary entities or subsidiaries of the group. Therefore, it has added paragraph 390.8 A3 to clarify this point.

B. Potential Threats Arising from Using the Work of an External Expert

Identifying Threats

115. A few respondents suggested examples of a self-review threat that might be created when a PA uses the work of an external expert. Having considered those suggestions, the IESBA determined to add an example of a self-review threat in subparagraph 390.23 A1(b).
116. During the IESBA's deliberations on the issue of pressure (paragraphs 55 to 58 above), it was noted that there could also be pressure on a PA to "cherry-pick" a particular external expert, considering the particular influence their work might have on the engagement. Accordingly, this has been recognized in subparagraph 390.23 A1(e) second bullet.

Using the Work of Multiple Experts

117. Respondents requested more clarity around the ED provisions on using the work of multiple experts. During deliberations, the IESBA observed that there can be valid reasons for the external expert's work to cover or represent a large or dominant proportion of the professional service. For example, it was noted that external experts might be needed for valuation of real estate, oil and gas reserves, mineral reserves, tax valuation of intangibles, assessment of potentially significant impairments, etc. Furthermore, the IESBA noted that the external expert's work will always be material in some qualitative, if not quantitative, way. Otherwise, the PA would not have engaged the external expert.
118. A question raised was that if proper evaluation of CCO for each external expert is key and each external expert has been determined to have the necessary CCO, why using the work of multiple external experts should create an issue, and if so, what the nature of that issue would be.
119. The IESBA's view is that the heart of what those provisions were trying to address is undue reliance on the work of multiple external experts. The consequence of such undue reliance is that it would be questionable whether the PA could still reasonably hold ultimate accountability for the service (in substance), and importantly, whether the PA even has the competencies required to hold such accountability.
120. Given that this potential self-interest threat is already included in subparagraph 390.23 A1(a), second bullet ("a PA has undue influence from, or undue reliance on, the external expert or multiple external experts when providing a professional service"), the IESBA determined to withdraw the ED

paragraphs on multiple experts.

Inherent Limitations in Evaluating an External Expert's CCO

121. The IESBA determined to withdraw ED paragraph 390.19 A1 as it seemed to convey that the external expert's work can still be used, even if there is a lack of information to evaluate their CCO. Under such circumstances, the PA is prohibited from using the work of such external expert (paragraph R390.21(a)).

C. Communicating with Management and Those Charged with Governance (TCWG) When Using the Work of an External Expert

122. The IESBA reconsidered a suggestion from a few respondents to elevate to a requirement the application material encouraging communication with management and TCWG about:
- The purpose of using an external expert and the scope of the external expert's work.
 - The respective roles and responsibilities of the PA and the external expert in the performance of the professional activity or service.
 - Any threats to the PA's compliance with the fundamental principles created by using the external expert's work and how they have been addressed.

123. The IESBA determined not to elevate this encouragement to communicate to a requirement because PAs will be at varying levels of authority, seniority, and influence within their employing organization or firm, and may face many different facts and circumstances in relation to using the work of an external expert. Furthermore, the Code generally does not require communication with management and TCWG in Parts 2 and 3. Therefore, it will be for the PA to exercise appropriate professional judgment as to when to communicate with management and TCWG, having regard to the encouragement under the Code. The same rationale applies to Section 5390 in Part 5.

D. Enhancement of Flow, Understandability and Clarity

124. To enhance the flow, understandability and clarity of the provisions, the IESBA split up ED paragraph R390.6 into three separate requirements R390.6, R390.7 and R390.8 with the relevant application material on evaluating competence, capabilities and objectivity, respectively, following each requirement.
125. As noted in paragraph 48 above, the IESBA added paragraph 390.6 A1 to explain the relationship between the external expert's expertise and the evaluation of the external expert's competence. Accordingly, paragraphs describing capabilities and objectivity were also added to facilitate the CCO evaluation (paragraphs 390.7 A1 and 390.8 A1).

E. Section 290

126. A few respondents commented that when applying the provisions, a PAIB might not have the authority to evaluate an external expert's CCO or enter into terms of engagement with the external expert.

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127. In this regard, the IESBA acknowledged that the PAIB has to operate within the employing organization's policies and procedures, including delegation of authority. In practice, it will generally be the employing organization that will enter into the contract of engagement with the external expert:
- The employing organization contracts directly with the external expert to provide the necessary expertise without the PAIB being involved in that decision.
 - The PAIB escalates the need to engage an external expert to the PAIB's superior or other responsible party/parties within the employing organization. Following due consideration within the employing organization, a decision is made to engage the external expert and the employing organization enters into the contract with the external expert.
128. In both cases, there will be a process to engage the external expert. In some organizations, there might be formality around such a process in terms of specific policies and procedures to be followed in engaging the external expert, including preparing the case for engaging the external expert, having the appropriate level of management authorize the engagement of the external expert, determining whether there should be a tender, etc. Accordingly, paragraph R290.5 clarifies the expectation for the PAIB to have regard to their employing organization's policies and procedures in identifying an external expert and agreeing the terms of engagement with such expert.
129. The IESBA also noted that when the PAIB has insufficient expertise to perform a professional activity (paragraphs 290.4 A1 and A2) and turns to an external expert to assist the PAIB in discharging their duties or responsibilities, such professional activity is performed for the PAIB's employing organization. This explicit clarification has been incorporated into paragraph 290.2.
130. Finally, the IESBA noted that the explicit clarifications in paragraphs 290.2 and R290.5 to recognize the need for a PAIB to operate within the policies and procedures of their employing organization, do not absolve the PAIB from their ethical obligations under Section 290. That is, if the PAIB is unable to determine or has determined that the external expert does not have the necessary competence, capabilities or objectivity for the PAIB's purpose, the PAIB is prohibited under paragraph R290.12 from using the work of such expert.

F. Consideration of Feedback from Additional Targeted Investor/User Outreach

131. The IESBA considered the feedback from targeted investor/user outreach, noting that such feedback was overall supportive of the proposals. A few investors suggested that there should be transparency through disclosure in the audit, review or other assurance report about the use of an external expert.
132. The IESBA noted that such matter of transparency in the audit or assurance report is outside the remit of the Code. The IESBA, however, observed that ISA 620²² and ISSA 5000²³ include requirements addressing disclosure regarding the use of external experts in the audit or sustainability assurance report.

²² Paragraph 14: "The auditor shall not refer to the work of an auditor's expert in an auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor's report that the reference does not reduce the auditor's responsibility for the auditor's opinion."

²³ Paragraph 189: "If the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report shall not identify the expert, unless required by law or regulation, or otherwise imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert."

VII. Effective Date

133. The effective date of the provisions addressing *Using the Work of an External Expert* is aligned with that for the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and ethics standards for sustainability reporting, given that Section 5390 is an integral part of the IESSA.
134. Any engagement with an external expert for which the work has already commenced under the extant provisions of the Code and which precedes the effective date of the provisions would continue under the extant Code. The IESBA does not believe that any transitional provision is necessary as the proposed effective date of the provisions (December 15, 2026) would allow for a two-year implementation period.
135. Recognizing the public interest objective which is to underpin public trust and confidence when the work of an external expert is used, the IESBA determined that a transitional provision to allow the use of the work of an external expert who does not have the necessary CCO in order to accommodate emerging fields or areas, would be contrary to the public interest.

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