

Experts Narrow-Scope Amendments – Issues Paper

Objectives of the IAASB Discussion

The objectives of this session are for the IAASB to:

- Receive an update and overview of the final provisions in the International Ethics Standards Board for Accountants (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) relating to using the work of an external expert; and
- Provide input on the proposed purpose and scope of the project to consider narrow-scope amendments to IAASB standards arising from IESBA's Using the Work of an External Expert project, including issues anticipated to be considered and the qualitative standard-setting characteristics to be used as criteria to assess the amendments' responsiveness to the public interest, to provide a basis for developing a project proposal.

IESBA's Using the Work of an External Expert Project

1. In December 2023, the IESBA approved an exposure draft for proposed revisions to the Code related to [Using the Work of an External Expert](#). The proposals included three new sections to the Code:
 - Section 390 for professional accountants (PAs) in public practice;
 - Section 290 for PAs in business; and
 - Section 5390 for sustainability assurance practitioners (SAPs). Proposed Section 5390 was an integral part of IESBA's exposure draft [Proposed International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) \(IESSA\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting](#).
2. The proposed new Code sections establish an ethical framework to guide PAs and SAPs in evaluating whether an external expert has the necessary competence, capabilities and objectivity (CCO) for the PA or SAP to use the expert's work for the intended purposes. The proposals also include provisions to guide a PA or SAP in applying the Code's conceptual framework when using the work of an external expert.
3. The development of the proposals was closely coordinated with the IAASB to maximize alignment and interconnectivity between the proposals and the IAASB's standards to the greatest extent possible. In particular, in developing the proposals, the IESBA endeavored to avoid (a) conflict with ISA 620,¹ ISSA 5000² or other relevant IAASB standards, and (b) incorporating provisions relating to the performance of audit or assurance procedures versus encapsulating ethics-related considerations. In this regard, IAASB Staff provided overarching comments and suggestions in relation to the proposals in Sections 390 and 5390, and there has been ongoing coordination between

¹ International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*

² International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

the two Boards as IESBA continues its work to finalize the provisions related to using the work of an external expert.

4. The IESBA is planning to approve the provisions on using the work of an external expert (as well as its ethical requirements, including independence, relating to sustainability assurance and reporting) at its December meeting (December 2-6, 2024). To facilitate the IAASB's initial discussions on its planned narrow-scope project (see the next section of this paper), IESBA staff (Ken Siong – Program and Senior Director, and Kam Leung – Principal) will provide the IAASB with an update and overview of IESBA's final standard.

IAASB's Planned Narrow-Scope Project

5. The IAASB's [Strategy and Work Plan for 2024-2027](#) includes a planned narrow-scope project to consider amendments to IAASB standards, including ISA 620, arising from IESBA's Using the Work of an External Expert project. The IESBA's explicit introduction of ethical requirements in relation to using the work of an external expert in the preparation of financial and non-financial information and in audit, assurance and non-assurance engagements may necessitate amendments to IAASB standards to ensure that the two Boards' standards can continue to be effectively applied together.
6. While ISA 620 and other IAASB standards address both internal and external experts, the narrow-scope project will be focused on requirements related to using the work of an external expert. The purpose of the project is to make sure that the IAASB standards remain interoperable with the new provisions in the Code, while maintaining the distinction between internal and external experts. It should also be noted that considerations related to the work of a management's expert will not be within the scope of the narrow-scope project, as Section 390 of the Code does not apply to the use of the work of an expert employed or engaged by the client to assist the client in preparing financial or non-financial information.

Targeted Amendments to ISA 620

7. To be clear, this project would not entail a full review and revision of ISA 620. Rather, the purpose of this narrow-scope project is to consider whether targeted amendments to ISA 620 are needed to make sure it remains interoperable with the new provisions of the Code with respect to using the work of an external expert.
8. With respect to interoperability, the scope of the project would be expected to address:
 - The overall consistency of the requirement in paragraph 9 of ISA 620, and related application material, regarding the auditor's evaluation of the CCO of an auditor's external expert with the provisions in Section 390 of the Code.
 - Whether the requirements in ISA 620 need to be more explicit that the work of an auditor's external expert cannot be used if the auditor concludes that the expert does not have the necessary CCO for the auditor's purposes, and that performing additional procedures cannot compensate for a lack of the necessary CCO by the external expert.

See the **Appendix** to this paper for additional discussion about the interaction of ISA 620 with Section 390 of the Code regarding the evaluation of an external expert's CCO.

9. No matters are expected to be addressed related to definitions as the concepts and terminology in the Code provisions have been aligned with ISA 620.

Targeted Amendments to Other IAASB Standards

10. Section 390 of the Code applies to all professional services, with specific provisions that apply to audit, review and other assurance engagements. Accordingly, there may be a need for amendments to other IAASB standards beyond ISA 620. For example, the following IAASB standards for review, other assurance and related services engagements include references to using the work of a practitioner's expert:
 - ISRE 2400³ – paragraph 55.
 - ISAE 3000 (Revised)⁴ – paragraph 12(s) (definition of practitioner's expert) and requirements in paragraphs 32, 52 and 70, with related application material.
 - ISRS 4400 (Revised)⁵ – paragraph 13(i) (definition of practitioner's expert) and requirements in paragraphs 19, 20, 29 and 31, with related application material.
11. The consideration of amendments to the above standards would take into account any targeted amendments to ISA 620, and would be adapted to the nature and scope of the engagements addressed by those standards, in the context of the provisions of the Code applicable to such engagements.
12. At this stage, it is too early to determine whether amendments to other ISAs may be needed as a result of the new Code provisions. The full implications of the Code provisions will be assessed and presented for IAASB discussion in March 2025.

IAASB Standards Not Within the Scope of the Project

13. The following standards will not be within the scope of this project:
 - ISSA 5000 – As discussed during the joint IAASB-IESBA sustainability coordination session in September 2024 (see Section 7 of Agenda Item J.1 for the [September 2024 IAASB meeting](#)), the two Boards are in alignment on the interoperability of ISSA 5000 and Section 5390 of the Code, with the approach to alignment also reflecting the different scope and purposes of ISSA 5000 and Section 390 of the Code.
 - ISAE 3410⁶ – As explained in paragraph 19 of the [ISSA 5000 Basis for Conclusions](#), the IAASB agreed that ISAE 3410 could be withdrawn in accordance with due process once ISSA 5000 becomes effective. Accordingly, ISAE 3410 is not within the scope of the project.

Qualitative Standard-Setting Characteristics

14. The project proposal for the narrow-scope amendments will also highlight the following qualitative standard-setting characteristics that are considered of most relevance to the objective of the project

³ International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Information*

⁴ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

⁵ International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements*

⁶ International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

and how its achievement will serve the public interest (as addressed in the [Public Interest Framework](#)):⁷

- *Relevance* – focuses on the continued relevance of IAASB standards, including ISA 620, in view of the new provisions in the Code related to using the work of an external expert, and the growing involvement of experts in areas such as estimates, technology and sustainability.
- *Timeliness* – focuses on any actual or perceived differences in the requirements and guidance between ISA 620 and other IAASB standards and the new provisions in the Code so that any such differences can be addressed on a timely basis, taking into account the effective date of the new provisions of the Code.
- *Appropriateness of scope* – focuses on targeted amendments necessary to maintain the interoperability of ISA 620 or other IAASB standards with the Code (i.e., not a complete revision of ISA 620).
- *Coherence* – focuses on the consistency of requirements across the body of standards to make sure that requirements related to using the work of an external expert are not in conflict.
- *Comprehensiveness* – focuses on limiting the extent to which there are exceptions to the principles set out in ISA 620 or other IAASB standards, including taking into account that relevant ethical requirements, such as the IESBA Code, may include provisions addressing the fulfillment of the practitioner’s ethical responsibilities related to evaluating whether an external expert has the necessary CCO for the practitioner’s purposes.
- *Enforceability* – focuses on clearly stated responsibilities of the professional accountant or practitioner.

Matters for IAASB Consideration

The Board is asked for its views about:

1. Whether it agrees with the proposed purpose and scope of the narrow-scope project, as described in paragraphs 5-13 above, including whether any additional matters may need to be addressed as part of the project proposal; and
2. The qualitative standard-setting characteristics considered of most relevance to the proposed purpose and scope of the project, as described in paragraph 14 above.

⁷ The Public Interest Framework sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, it includes a set of qualitative characteristics used to assess the public interest responsiveness of standards, referred to herein as “the qualitative standard-setting characteristics.”

Appendix

Interaction of ISA 620 and Code Section 390 Regarding the Evaluation of an External Expert's CCO

General

1. New Section 390 of the Code sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an external expert. It further notes 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 professional accountant's purposes.
2. Paragraph 9 of ISA 620 requires the auditor to evaluate whether the auditor's expert has the necessary CCO for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity includes inquiry regarding interests and relationships that may create a threat to that expert's objectivity. The related application material indicates that the CCO of an auditor's expert are factors that significantly affect whether the work of the auditor's expert will be adequate for the auditor's purposes (paragraph A14) and provides guidance for the auditor's evaluation of the CCO of the auditor's expert, including an external expert (paragraphs A15-A20).

Implications if the Auditor (or Practitioner) Concludes that the Expert Does Not Have the Necessary CCO

3. Section 390 of the Code indicates that the professional accountant cannot use the work of an external expert if the accountant:
 - (a) Is unable to determine whether the external expert has the necessary competence or capabilities, or is objective;
 - (b) Determines that the external expert does not have the necessary competence or capabilities for the accountant's purpose; or
 - (c) Determines that there are threats to the external expert's objectivity that cannot be eliminated or reduced to an acceptable level.
4. ISA 620 requires the auditor to evaluate the adequacy of the auditor's expert's work for the auditor's purposes.⁸ If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purposes, the auditor is required to agree with that expert on the nature and extent of further work to be performed by that expert, or perform additional audit procedures appropriate to the circumstances.⁹
5. It is implicit in these requirements of ISA 620 that the auditor would be unable to use the work of an expert (including an external expert) if the auditor determines that the expert does not have the necessary CCO for the auditor's purposes. As noted above, the application material in ISA 620 indicates that the CCO of an auditor's expert are factors that significantly affect whether the work of the expert will be adequate for the auditor's purposes.
6. Paragraph 13 of ISA 620 indicates that the auditor may perform additional procedures appropriate to the circumstances if the auditor determines that the work of the expert is not adequate for the auditor's purposes. During the coordination discussions with IESBA on ISSA 5000, a question was raised

⁸ ISA 620, paragraph 12

⁹ ISA 620, paragraph 13

about whether this requirement could be viewed as a “work around” for circumstances in which the expert did not possess the necessary CCO. However, it was noted that the implicit presumption is still that the work of an expert can never be used if that expert does not possess the necessary CCO (i.e., additional procedures are only related to the adequacy of the work for the auditor’s or practitioner’s purposes and not a substitute for a lack of necessary CCO).

7. As part of the narrow-scope project, the IAASB may wish to consider whether to make it more explicit that the work of an expert cannot be used if that expert does not possess the necessary CCO.