

PROPOSED NARROW SCOPE AMENDMENTS TO IAASB STANDARDS ARISING FROM THE IESBA'S USING THE WORK OF AN EXTERNAL EXPERT PROJECT

[MARKED FROM EXTANT STANDARDS¹]

This Agenda Item, marked from extant, presents the proposed text as it would be included in the Exposure Draft (subject to any further changes resulting from the Board discussion in March 2025).

(Effective for ... [DATE])

ISA 620, USING THE WORK OF AN AUDITOR'S EXPERT

...

Requirements

...

Nature, Timing and Extent of Audit Procedures

8. The nature, timing and extent of the auditor's procedures with respect to the requirements in paragraphs 9–13 of this ISA will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)
 - (a) The nature of the matter to which that expert's work relates;
 - (b) The risks of material misstatement in the matter to which that expert's work relates;
 - (c) The significance of that expert's work in the context of the audit;
 - (d) The auditor's knowledge of and experience with previous work performed by that expert; ~~and~~
 - (e) Whether that expert is subject to the auditor's firm's system of quality management; and (Ref: Para. A11–A13)
 - (f) Provisions of relevant ethical requirements related to using the work of an expert. (Ref: Para A13A)

...

Application and Other Explanatory Material

...

¹ The International Standards on Auditing (ISA), International Standards on Review Engagements (ISRE), International Standards on Assurance Engagements (ISAE) and International Standards on Related Services (ISRS) as published in the 2023-2024 Handbooks (Volumes I and III).

Nature, Timing and Extent of Audit Procedures (Ref: Para. 8)

...

A13A. Relevant ethical requirements may include provisions that address a professional accountant's ethical responsibilities relating to the use of the work of an expert in the performance of a professional service, including an audit of financial statements. For example, the IESBA Code includes provisions related to the auditor's use of the work of an external expert.²

The Competence, Capabilities and Objectivity of the Auditor's Expert (Ref: Para. 9)

...

A16A. Relevant ethical requirements applicable to the auditor when using the work of an auditor's expert may include provisions addressing the fulfillment of the auditor's ethical responsibilities related to evaluating whether an auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes (see also paragraph A13A).

...

A18. A broad range of circumstances may threaten objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats, and intimidation threats. Such threats may be addressed by eliminating the circumstances that create the threats, or applying safeguards to reduce threats to an acceptable level. There may also be safeguards specific to the audit engagement.

A18A. [Relocated from A20] When evaluating the objectivity of an auditor's external expert, it may be relevant to:

- (a) Inquire of the entity about any known interests or relationships that the entity has with the auditor's external expert that may affect that expert's objectivity.
- (b) Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the auditor's expert include:
 - Financial interests.
 - Business and personal relationships.
 - Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.

In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor's external expert about any interests or relationships with the entity of which that expert is aware. Relevant ethical requirements may also require the auditor to obtain information, in writing, from the auditor's external expert regarding interests, relationships or circumstances that may create a threat to that expert's objectivity.

² See Section 390 of the IESBA Code

A19. The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the auditor's expert and the significance of the expert's work in the context of the audit. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level, for example, if a proposed auditor's expert is an individual who has played a significant role in preparing the information that is being audited, that is, if the auditor's expert is a management's expert.

A19A. Relevant ethical requirements may prohibit the auditor from using the work of an auditor's external expert if the auditor:

- (a) Is unable to determine whether the expert has the necessary competence or capabilities, or is objective;
- (b) Has determined that the 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.

...

Agreement with the Auditor's Expert (Ref: Para. 11)

...

A24. The matters noted in paragraph 8 may affect the level of detail and formality of the agreement between the auditor and the auditor's expert, including whether it is appropriate that the agreement be in writing. For example, the following factors may suggest the need for more a detailed agreement than would otherwise be the case, or for the agreement to be set out in writing:

- The auditor's expert will have access to sensitive or confidential entity information.
- The respective roles or responsibilities of the auditor and the auditor's expert are different from those normally expected.
- Multi-jurisdictional legal or regulatory requirements apply.
- Relevant ethical requirements that require the provision of information in writing from an auditor's external expert.
- The matter to which the auditor's expert's work relates is highly complex.
- The auditor has not previously used work performed by that expert.
- The greater the extent of the auditor's expert's work, and its significance in the context of the audit.

...

Appendix

(Ref: Para. A25)

Considerations for Agreement between the Auditor and an Auditor's External Expert

...

Communications and Reporting

...

- If required by the provisions of relevant ethical requirements, the auditor's external expert's agreement to provide requested information in writing for purposes of assisting the auditor's evaluation of that expert's objectivity, and a commitment to communicate any changes to the information provided as set out in the relevant ethical requirements.
- The auditor's external expert's responsibility to communicate circumstances that may create threats to that expert's objectivity, including any changes in those circumstances, and any relevant safeguards actions that may eliminate such threats, or safeguards that may reduce such those threats to an acceptable level.

...

ISAE 3000 (REVISED), ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION

...

Application and Other Explanatory Material

...

Obtaining Evidence

...

Considerations When a Practitioner's Expert Is Involved on the Engagement

Nature, Timing and Extent of Procedures (Ref: Para. 52)

A121. The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of a practitioner's expert when some of the assurance work is performed by one or more practitioner's expert (see paragraph A70):

- (a) The significance of that expert's work in the context of the engagement (see also paragraphs A122-A123);
- (b) The nature of the matter to which that expert's work relates;
- (c) The risks of material misstatement in the matter to which that expert's work relates;
- (d) The practitioner's knowledge of and experience with previous work performed by that expert;
and
- (e) Whether that expert is subject to the practitioner's firm's quality management policies or procedures (see also paragraphs A124-A125); and

- (f) Whether relevant ethical requirements include provisions that address a practitioner's ethical responsibilities relating to the use of the work of an expert in the performance of a professional service, including an assurance engagement. For example, the IESBA Code includes provisions related to the practitioner's use of the work of an external expert.³

...

The Competence, Capabilities and Objectivity of the Practitioner's Expert (Ref: Para. 52(a))

...

A127A. [Relocated from A129] When evaluating the objectivity of a practitioner's external expert, it may be relevant to:

- Inquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the practitioner's external expert that may affect that expert's objectivity.
- Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the practitioner's expert include:
 - Financial interests;
 - Business and personal relationships;
 - Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external expert about any interests or relationships with the appropriate party(ies) of which that expert is aware. Relevant ethical requirements may also require the practitioner to obtain information, in writing, from the practitioner's external expert regarding interests, relationships or circumstances that may create a threat to that expert's objectivity.

A128. The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the practitioner's expert and the significance of the expert's work in the context of the engagement. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level, for example, if a proposed practitioner's expert is an individual who has played a significant role in preparing the subject matter information.

A128A. Relevant ethical requirements may prohibit the practitioner from using the work of a practitioner's external expert if the practitioner:

- (a) Is unable to determine whether the expert has the necessary competence or capabilities, or is objective;
- (b) Has determined that the 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.

...

³ See Section 390 of the IESBA Code

ISRS 4400 (REVISED), AGREED-UPON PROCEDURES ENGAGEMENTS

...

Requirements

...

Using the Work of a Practitioner's Expert

29. If the practitioner uses the work of a practitioner's expert, the practitioner shall: (Ref: Para. A46-A47A, A50)

- (a) Evaluate the competence, capabilities and objectivity of the practitioner's expert;

...

...

Application and Other Explanatory Material

...

Using the Work of a Practitioner's Expert (Ref: Para. 29)

...

A47A. Relevant ethical requirements may prohibit the practitioner from using the work of a practitioner's external expert if the practitioner:

- (a) Is unable to determine whether the expert has the necessary competence or capabilities, or is objective;
- (b) Has determined that the 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.

...