

### DRAFT PROJECT PROPOSAL ON NARROW-SCOPE AMENDMENTS TO IAASB STANDARDS ARISING FROM THE IESBA'S USING THE WORK OF AN EXTERNAL EXPERT PROJECT

**[MARKED FROM AGENDA ITEM 4-A]**

This project proposal was developed [and approved] by the International Auditing and Assurance Standards Board (IAASB).

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAASB, and the Stakeholder Advisory Council (SAC), which provides public interest input at the strategic level into the development of standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

#### I. Subject

1. This project proposal addresses the interoperability of the IAASB standards with the new provisions in the International Ethics Standards Board for Accountants (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) as a result of the IESBA project on using the work of an external expert.<sup>1</sup> The IAASB's actions are focused only on targeted amendments to IAASB standards arising from the specific IESBA project.
2. The IAASB's actions undertaken as part of this project may be useful in future IAASB projects to revise or enhance other IAASB pronouncements, including ISA 620.<sup>2</sup>

#### II. Introduction

##### IESBA Project on Using the Work of an External Expert

3. 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](#).

<sup>1</sup> <https://www.ethicsboard.org/publications/final-pronouncement-using-work-external-expert>

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

4. The IESBA approved 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 2024 meeting.
5. The approved 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 revised Code also include provisions to guide a PA or SAP in applying the Code's conceptual framework when using the work of an external expert.

#### **IAASB's Planned Narrow-Scope Amendments Project**

6. [IAASB's Strategy and Work Plan for 2024-2027](#) includes a project to consider narrow-scope amendments arising from IESBA's project, recognizing that IESBA's introduction of ethical requirements related to using the work of an external expert in audit, assurance and other services engagements may necessitate amendments to IAASB standards, including ISA 620, to ensure that the two Board's standards can continue to be effectively applied together.
7. The IAASB discussed and agreed the proposed purpose and scope of this narrow-scope project at its December 2024 meeting. While ISA 620 and other IAASB standards address both internal and external experts, this narrow-scope amendments project will be focused on requirements related to using the work of an *external expert*, while maintaining the distinction between internal and external experts.
8. The IAASB's [Framework for Activities](#) explains that a narrow scope maintenance of standards project is intended to achieve a limited number of targeted changes ("targeted revisions") to either a single standard or across multiple standards. It further explains that narrow scope maintenance projects:
  - (a) Are not intended to amend the principles on which an International Standard is based.
  - (b) May be used for conforming and consequential amendments when they do not form part of an active IAASB project (for example, to make relevant changes to the IAASB Standards arising from changes made to the IESBA Code).
  - (c) May move quickly through the information gathering and research activities contemplated in the Framework for Activities given the urgency and narrow scope.

#### **Coordination Between the IAASB and IESBA**

9. The IESBA's development of the provisions for using the work of an external expert was closely coordinated with the IAASB to maximize alignment and interconnectivity between the Code and the IAASB's standards. In particular, in developing the provisions, the IESBA endeavored to avoid (a) conflict with ISA 620, ISSA 5000<sup>3</sup> or other relevant IAASB standards, and (b) incorporating provisions relating to the performance of audit or assurance procedures versus encapsulating ethics-related considerations. Ongoing coordination between the two Boards continued as IESBA finalized their provisions related to using the work of an external expert.

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<sup>3</sup> International Standard on Sustainability Assurance (ISSA)<sup>TM</sup> 5000, *General Requirements for Sustainability Assurance Engagements*

10. When IAASB was developing ISSA 5000, there was extensive coordination between IAASB and IESBA on a range of topics, including external experts. This led to the two Boards being 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 5390 of the Code.
11. At the IAASB's December 2024 meeting, IESBA staff provided the IAASB with an update and overview of IESBA's final standard. After the IAASB's December 2024 meeting, the IAASB's Experts project team and IESBA staff coordinated a meeting and discussed matters related to the revised Code as well as the IAASB project team's understanding of the final provisions.

### III. Project Objective that Supports the Public Interest

12. Taking into account the information gathering performed<sup>4</sup> and an underlying focus on delivering standards that respond to stakeholders' needs, this project seeks to maintain the interoperability of the IAASB standards with the new provisions in the IESBA Code related to using the work of an external expert.

### IV. Stakeholders' Needs

13. As described in the Public Interest Framework (PIF),<sup>4</sup> standard setting that is in the public interest requires a process that elicits views from all stakeholders, with a focus on assessing the merits of the various stakeholder views, irrespective of whether the views are a majority or a minority.
14. In order to address the public interest as contemplated by the PIF, the IAASB:
  - (a) Considers all stakeholder input and identifies the different stakeholder interests that affect the overall objectives that will achieve the public interest;
  - (b) Appropriately weighs the input in terms of the public interest impact of the relative stakeholder interests; and
  - (c) Appropriately balances alternative outcomes in terms of the expected responsiveness to the public interest.
15. The PIF identifies broad stakeholder groups, such as users of financial statements, the profession, those in charge of adoption, implementation, and enforcement of standards, preparers, and others, whose varying perspectives and needs have been considered when determining the project objective that support the public interest. The following qualitative standard-setting characteristics of the PIF will be front of mind in how the achievement of the project objective will serve service stakeholder needs and the broader public interest:
  - *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

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<sup>4</sup> The PIF 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, the PIF explains for whom standards are developed, clarifies whose interests need to be served, and includes a set of qualitative characteristics used to assess the public interest responsiveness of its standards. These are referred to herein as "the qualitative standard-setting characteristics."

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.

## V. Scope – Issues and Proposed Actions

16. The table below sets out the issues identified that the IAASB is proposing to address with targeted narrow-scope amendments to IAASB standards. The proposed actions are intended to enable the IAASB to achieve its project objective that supports the public interest.

#	Issue	Proposed Actions
<b>Objective</b> To maintain the interoperability of the IAASB standards with the new provisions in the IESBA Code related to using the work of an external expert.		
The qualitative standard-setting characteristics of most relevance to the proposed actions relating to the objective are <b>relevance, timeliness, appropriateness of scope, coherence, comprehensiveness and enforceability</b> .		
1	The requirements and related application material in the IAASB standards may not be consistent with the revised IESBA Code regarding using the work of an external expert.	<b>Targeted amendments to ISA 620</b> Related to an auditor's external expert: <ul style="list-style-type: none"> <li>• Consider whether any change is needed to the definition of an auditor's expert.</li> <li>• <u>Consider appropriate references to indicate that relevant ethical requirements, including the IESBA Code, may have</u><del>Acknowledge the new provisions of the Code</del> to evaluate the CCO of an external expert, including <del>the</del> provisions to obtain information in writing from the external expert.</li> <li>• <u>Explore whether</u> <del>Clarify clarification is needed</del> that the work of an auditor's external expert cannot be used if the auditor is unable to determine whether, or concludes that, the expert does not have the necessary CCO for the auditor's purposes.</li> </ul>

#	Issue	Proposed Actions
		<ul style="list-style-type: none"> <li>Explore whether there is a need for further clarification that performing additional procedures cannot compensate for a lack of the necessary CCO by the external expert.</li> <li><del>Determine</del> <u>Consider</u> whether <u>other</u> revisions or enhancements to the application material and the appendix to the standard are needed in light of the revisions to the Code.</li> </ul> <p><b>Targeted amendments to other IAASB standards</b></p> <p>Based on the targeted amendments to ISA 620, explore the need for and, if applicable, propose targeted amendments to:</p> <ul style="list-style-type: none"> <li>Other IAASB standards in the ISRE,<sup>5</sup> ISAE<sup>6</sup> and ISRS<sup>7</sup> series, which will take into account the nature and scope of the engagements addressed by these standards, in the context of the provisions of the IESBA Code applicable to such engagements.</li> <li>Other ISAs (e.g., in application material or other sections that may refer to auditor's external experts).</li> </ul>

### Basis of Proposed Actions

17. The proposed actions have been developed on the basis that they will result in targeted amendments to IAASB standards that satisfy the qualitative standard-setting characteristics set out in the PIF (see also **Section IV**). Any standard-setting project also reflects an appropriate balancing of the qualitative standard-setting characteristics in the context of what informed the project, and the nature and extent of the issues being addressed in the project.
18. As the objective of this narrow-scope amendments project is to maintain the interoperability of the IAASB standards with the new provisions in the IESBA Code related to using the work of an external expert, the proposed actions do not include:
  - A full review and revision of ISA 620;
  - Considerations related to the work of auditor's or practitioner's internal experts; and
  - Considerations related to the work of a management's expert. 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.
19. 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~~

<sup>5</sup> International Standards on Review Engagements

<sup>6</sup> International Standards on Assurance Engagements

<sup>7</sup> International Standards on Related Services

~~5000 and Sections 390 and 5390 of the Code.~~ Because ISSA 5000 was recently issued, and is a new standard in an evolving area, the public interest benefit of a stable platform outweighs the benefits of alignment at this time with proposed changes to the other IAASB standards.

- ISAE 3410<sup>8</sup> – 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. [Pending the outcome of the March 2025 IAASB meeting, the project team proposes to insert here, “The IAASB approved the withdrawal in March 2025”].
20. In developing the proposed narrow-scope amendments, the IAASB will follow the [Complexity, Understandability, Scalability and Proportionality Drafting \(CUSP\) Principles and Guidelines](#). Among other matters, these principles and guidelines are designed to ensure the development of clear and concise standards, which appropriately take into account scalability and proportionality in assessing the standards’ responsiveness to the public interest.

### Coordination Activities

21. In delivering on the project, there will be continued collaboration and coordination with IESBA, on a timely basis. In addition, internal coordination with other IAASB project teams or Consultation Groups will be undertaken as appropriate.

## VI. Project Timeline, Project Priorities and Resources

### Project Timeline and Project Priorities

22. The project will commence in accordance with the current Due Process and Working Procedures.<sup>9</sup> However, the project will prospectively adopt the proposed Due Process and PIF Operating Procedures, which operationalize the PIF, when they are approved and implemented.
23. The IAASB proposes the following timetable, noting that specific project milestones and outputs may change as the project develops:

Timeline	Proposed Activities and Deliverables
March 2025	<ul style="list-style-type: none"><li>• Approval of an exposure draft by the IAASB.</li></ul>
April 2025	<ul style="list-style-type: none"><li>• Publish exposure draft and accompanying explanatory memorandum for a 90-day comment period.</li></ul>
July 2025	<ul style="list-style-type: none"><li>• Comment period for responses to exposure draft closes.</li></ul>
September 2025 or December 2025 <sup>10</sup>	<ul style="list-style-type: none"><li>• IAASB deliberation of responses to the exposure draft and resulting proposed changes to address feedback.</li><li>• IAASB approval of the final pronouncement.</li></ul>

<sup>8</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

<sup>9</sup> As required by the IAASB's [Terms of Reference](#), this is the [Due Process and Working Procedures](#) as approved by the PIOB and that the IAASB must adhere to in developing its International Standards.

<sup>10</sup> Owing to the relatively short time available after closure of the comment period in July 2025 to finalize Board materials for the September 2025 IAASB meeting, the number of comment letters received and the nature of the responses may necessitate an adjustment to the project timeline.

Timeline	Proposed Activities and Deliverables
October 2025 or January 2026	<ul style="list-style-type: none"> <li>• PIOB certification</li> <li>• Publish final targeted amendments and Basis for Conclusions after PIOB certification</li> </ul>

### Project Resources

24. The project will be led by the project team. The project team may reach out for technical input or views on balancing of stakeholder interests or the qualitative standard-setting characteristics to any IAASB members or others, as appropriate, with relevant experience and subject-matter expertise throughout the project. Other resources may also be engaged to contribute to other actions necessary, for example, for communications with stakeholders.
25. In addition, the IAASB will:
  - (a) Allocate sufficient Board plenary time to deliberate significant matters; and
  - (b) Allocate sufficient time to consult with the PIOB on its public interest issues relevant to the project.
26. Due to the nature of this project being focused on the narrow-scope maintenance of IAASB standards, consultation with the SAC is not expected to be necessary.

### VII. Project Output and Impact

27. The expected output of the project are narrow-scope amendments to IAASB standards, which meets the qualitative standard-setting characteristics in achieving the project objective that supports the public interest.
28. The IAASB will evaluate the impact of the project by asking specific questions, as part of the explanatory memorandum accompanying the exposure draft, about whether the revisions will achieve the intended qualitative standard-setting characteristics and project objective.
29. A post-implementation review ordinarily is not planned for narrow-scope amendment projects. However, the IAASB's ongoing monitoring of the environment, including its general outreach program and coordination with IESBA provide a feedback mechanism regarding implementation challenges.