

IESBA
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USA

To the attention of Ms. G. FIGUEIREDO DIAS

Paris, 25 April 2024

Référence : 20240228

Objet : Response to ED "USING THE WORK OF AN EXTERNAL EXPERT"

Dear President, Dear Gabriela,

In our respective capacity as Presidents of the CNCC and the CNOEC, we are pleased to present our comments on the Exposure draft "USING THE WORK OF AN EXTERNAL EXPERT."

We understand that this ED results from the work previously done by IESBA on the definitions of engagement and audit teams, and stems from the demand of the regulators to deal with the independence/objectivity of those external experts who are neither members of the engagement team, nor of the audit team. It was also triggered in the context of sustainability assurance where more experts will be needed.

We strongly believe, however, that the ED goes too far on the additional provisions relating to evaluating an external expert's objectivity in new section 390.

We consider that by adding this long list of requirements in R 390.8 on financial interest, loans, business relationships, previous or current engagements, any position as director, any previous public statements, any fees, any benefits, etc., the IESBA is departing from requiring objectivity from the external experts to actually requiring them to be independent under the same rules as the auditors.

Contrary to the initial intent stated in the explanatory memorandum, the ED, as drafted, leads to evaluate the objectivity of the external experts through the lens of independence, not their independence through the lens of objectivity.

We would like to stress one potential adverse consequence of having too rigid a set of rules on external expert's objectivity/independence.

Sustainability reporting and sustainability assurance are still at a very early stage in certain countries and practice is not yet fully established, neither for reporting nor for assurance.

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

COMPAGNIE NATIONALE DES
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In Europe, entities have not applied the ESRs yet and auditors have not yet provided assurance on the sustainability reports of their clients prepared in compliance with the ESRs. In addition, experts are scarce.

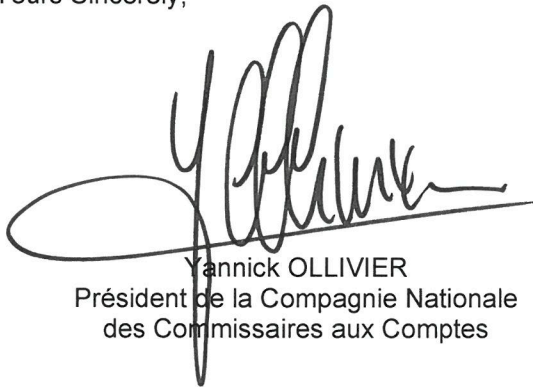
The objective at this stage, in the public interest, should be to raise the quality of the sustainability information provided to the Public. If the assurance providers are not able to use experts to better understand the issues, to better judge their reliability, and their possibilities of improvements, then they will have no choice but to disclaim and the quality of the information will degrade significantly compared to what it would be if they had been able to use external experts.

The ED would be even more detrimental to SMPs because they will have less or no internal experts "in house" when larger firms will have at least some of those experts "in house".

In conclusion, we believe that there is a healthy balance to be found between the improvement of the quality of the entity's information through the use of experts which are definitely objective but not independent "by regulatory creep" and the risk of slowing down the improvement of the quality of the entity's information by blocking the use of experts through too rigid a set of rules.

Should you wish to discuss any of our comments, please do not hesitate to contact us.

Yours Sincerely,



Yannick OLLIVIER
Président de la Compagnie Nationale
des Commissaires aux Comptes



Cécile de SAINT-MICHEL
Présidente du Conseil National de
l'Ordre des Experts-Comptables

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS®

EXPOSURE DRAFT:

USING THE WORK OF AN EXTERNAL EXPERT

REQUEST FOR SPECIFIC COMMENTS

Glossary

1. Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions? See Section III.

The distinctions in the IESBA code between the different types of experts used by auditors are already very intricate in the extant code.

A first segregation is based on the juridical nature of the relationship between the expert and the firm, distinguishing whether the expert is employed or engaged by the firm.

Then, amongst the experts engaged by the firm, a second segregation is based on the nature of the work they perform, with three different possibilities:

- If they perform audit procedures, they are members of the engagement team;
- If they provide consultations in relation with the audit engagement, they are members of the audit team;
- If they assist the auditor in obtaining sufficient appropriate audit evidence, they are external experts and therefore neither engagement team nor audit team members.

We understand that this complex set of definitions results from the work already done by IESBA on the definitions of engagement and audit teams. We believe that a much simpler distinction between experts **employed** by the firm (internal experts) and experts **engaged** by the firm (external experts) would have been much clearer for practitioners on the field.

Being where we are, we see that IESBA did not want to simplify and streamline its approach to the use of experts, and we wish to draw the attention of the IESBA to the following consequences.

The introduction of three new sections in the code addressing using the work of an external expert, forces practitioners to follow exactly the path of the code towards experts engaged by the firms, to determine which ones are members of the engagement team, which are members of the audit team, and which are actually what IESBA calls "external experts."

We believe that it will be very difficult for practitioners and staff on the field to understand the intricacies of the classification of experts and apply the different rules of independence and/or objectivity applying to each category.

We are therefore not favorable to this further complexification of the Code brought by the ED.

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Evaluation of CCO for all Professional Services and Activities

2. **Do respondents support the approach regarding evaluating an external expert's competence, capabilities, and objectivity? Are there other considerations that should be incorporated in the evaluation of CCO specific to PAIBs, PAPPs and SAPs? See Section V**

No comment

3. **Do respondents agree that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work? See paragraphs 67 to 74.**

No, we do not agree with the prohibition to use the work of the expert when the expert did not "pass the CCO test", especially in view of the requirement added by IESBA in the ED to judge the objectivity of the expert through the lens of independence (see our response to question 4 below).

The prohibition foreseen by IESBA goes against ISA 620 which allows the auditor to use the work of the expert with an appropriate threats and safeguards approach and then requires the auditor to evaluate the adequacy of the expert's work.

We consider the approach of ISA 620 to be much more suitable and practical (see our response to question 4 below on the balance to be found in order to be able to use the work of experts on emerging topics such as sustainability).

In addition, we are against § 390.6 A1 that seem to imply that by using an expert who did not "pass the CCO test", the PA would be in breach of its own ethical requirements of integrity, objectivity, professional competence and due care.

Evaluation of CCO for Audit or Other Assurance Engagements

4. **In the context of an audit or other assurance (including sustainability assurance) engagement, do respondents agree that the additional provisions relating to evaluating an external expert's objectivity introduce an appropriate level of rigor to address the heightened public interest expectations concerning external experts? If not, what other considerations would help to address the heightened public interest expectations? See Section (V)(A).**

No, we do not agree with the additional provisions relating to evaluating an external expert's objectivity in new section 390.

Even if expert CCO considerations are limited to the entity at which the external expert is performing the work and with respect to the period covered by the audit or assurance report and the engagement period, we believe that by adding this long list of requests in R 390.8 on financial interest, loans, business relationships, previous or current engagement, any position as director, any previous public statements, any fee, any benefits, etc., the IESBA is drifting from requiring objectivity from the external experts to actually requiring them to be independent under the same rules as the auditors.

The ED, as drafted, leads to evaluate objectivity through the lens of independence, not independence through the lens of objectivity.

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The objective at this stage, in the public interest, should be to raise the quality of the sustainability information provided to the Public. If the assurance providers are not able to use experts to better understand the issues, to better judge their reliability, to better judge the possibilities of improvements, then they will have no choice but to disclaim and the quality of the information will increase more slowly than if they had been able to use external experts.

There is a balance to be found between the improvement of the quality of the entity's information through the use of experts which are objective but not independent "by regulatory creep", and the risk of slowing down the improvement of the quality of the entity's information by blocking the use of experts through too rigid a set of rules.

In addition, the ED would be even more detrimental to SMPs because they will have less or no internal experts "in house" when larger firms will have at least some of those experts "in house".

For this purpose, we find that the evaluation of the external expert's CCO as required in section 290 is much more reasonable and should be applied to section 390.

Potential Threats Arising from Using the Work of an External Expert

- 5. Do respondents support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert? Are there other considerations that should be included? See Section (VI)(A).**

No comment.

