

30 April 2024

Email: KenSiong@ethicsboard.org

Dear Mr. Ken Siong

RE: SAICA SUBMISSION ON EXPOSURE DRAFT, USING THE WORK OF AN EXTERNAL EXPERT

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to IESBA on the *Exposure Draft, Using the Work of an External Expert*.
2. SAICA is South Africa's pre-eminent accountancy body which is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 52 000 members who are chartered accountants [CAs(SA)] and associates [AGAs(SA)] who hold positions as chief executive officers, managing directors, board members, business owners, Chief Financial Officers, auditors, tax practitioners and leaders in their spheres of business operation.
3. SAICA adopted the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) in November 2018 as the SAICA Code of Professional Conduct (the SAICA Code), with certain additional national requirements.
4. SAICA has consulted its membership in response to the Exposure Draft. Members who provided input into the process included academia, professional accountants in public practice and professional accountants in business who have vast knowledge and experience in the Ethics space.
5. Following our consultations with our members, material concerns, reservations and proposals have been raised in relation to the Exposure Draft for the attention of IESBA.
6. Our comments are included in the annexures as follows:
 - **Annexure A** – Response to request for specific comments.
 - **Annexure B** – Response to request for general comments.
 - **Annexure C** – Editorial recommendations

7. We would appreciate the opportunity to engage further and to discuss the raised issues if required. Please do not hesitate to contact Viola Sigauke at violas@saica.co.za.

Regards,

Mpho Mookapele
Chairperson: Ethics Committee

Natashia Soopal
Executive: Ethics Standards and Public
Sector

ANNEXURE A – RESPONSE TO REQUEST FOR SPECIFIC COMMENTS

Glossary

Question 1:

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

Response:

SAICA supports the proposed new and revised definitions.

The definition of External Expert is clearly defined, and it distinguishes between external experts who are engaged by an employing organisation, firm or SAP and internal experts who are employed by the organisation or firm making use of their expertise. The definition further distinguishes between external experts used in an audit engagement and an assurance engagement.

However, SAICA is concerned with the definition of expertise in ISA 620 that refers to knowledge, skills and experience. The definition in the Code is not aligned to ISA 620 as it excludes experience in a particular field.

SAICA recommends that there should be a concerted effort to align the definitions amongst all international standards to ensure that there is consistency in meaning, as any differences in definitions, however subtle, could cause confusion amongst professional accountants or another practitioner.

Evaluation of CCO for all Professional Services and Activities

Question 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.

Response:

SAICA supports the approach regarding evaluating an external expert's competence, capabilities and objectivity as it is aligned with the requirements of ISAE 3000 and ISA 620. The ED is sufficiently broad regarding the evaluation of an external expert's competence, capabilities and objectivity.

However, there is a need to provide guidance on how the evaluation of an external expert should be performed. Furthermore, additional guidance should be provided when an external expert is

from another jurisdiction. Consideration should also be given to laws and regulation within a specific jurisdiction such as labour laws when employing an external expert. SAICA further recommends the following factors to consider while assessing the external expert's competence include:

- Determine if the external expert is a member of a relevant professional body or regulated by a relevant authority, and, if so, whether the external expert is in good standing.
- The external expert's work should adhere to established professional standards, issued by a recognised body, or follows generally accepted principles or practices, or adheres to regulatory and legal requirements in their field of expertise.

Paragraphs 390.6 A2 to 390.6 A6 and 5390.6 A2 to 5390.6 A6 provides factors that should be considered in different circumstances. SAICA recommends that the IESBA indicates that these are not exhaustive and may not always be applicable in all circumstances.

Question 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.

Response:

SAICA agrees that if an external expert is not competent, capable or objective, the Code should prohibit the PA or SAP from using their work as this helps to enhance quality in the profession and aligns with protecting the public interest. However, the IESBA needs to consider that there might be unintended consequences due to the difference between the Code and ISA 620. In ISA 620 there is no prohibition that an expert is not competent, capable or objective. We recommend that the IESBA determines the impact of this in the finalisation of this ED.

SAICA further recommends that during the IESBA's awareness campaign on the use of external experts, the IESBA should highlight that professional accountants should include in the agreement that if the external expert does not meet the competent, capable or objective criteria that there will be no reliance on his/her work.

Evaluation of CCO for Audit or Other Assurance Engagements

Question 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).

Response:

SAICA agrees with 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.

The introduction of additional provisions helps to clarify what is expected when evaluating an external expert. With the profession coming under much scrutiny in the past couple of years and with a heightened focus on protecting public interest, the additional provisions relating to evaluating an external expert's objectivity does introduce an appropriate level of rigor.

SAICA is however concerned with the implementation of the additional provisions especially in circumstances where an external expert does not cooperate when asked to provide supporting information. The requirements appear to be overly burdensome and appear to be unreasonable in the context of an audit or other assurance engagements. SAICA recommends that application guidance be included to assist professional accountants in instances where the external expert does not cooperate with the additional provisions.

Potential Threats Arising from Using the Work of an External Expert**Question 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).

Response:

We agree and support the provisions that guide PAs or SAPs in applying the conceptual framework when using the work of an external expert but have the following specific comments:

- We do not think that the second bullet of proposed Section 390.14 A1 (a) is consistent with the definition of a self-interest threat as per Section 120.6 A3 (a), which refers to the influence of 'a financial or other interest'. It is not self-evident that 'undue influence from, or undue reliance on' an external expert are varieties of self-interest threat.
- The existence of 'undue influence from' an external expert more closely aligns with the intimidation threat described at Section 120.6 A3 (e).
- We believe that the example of the familiarity threat in proposed Section 390.14 A1 (c) satisfactorily illustrates one aspect of this threat, but we think that an additional example could be provided to illustrate the threat that, through frequent use of the same external expert on various engagements, a PA may become too familiar in accepting of the external expert's work.

In terms of the proposed safeguards, we believe that using a different external expert, would effectively eliminate a familiarity threat (390.16 A1) in any circumstance. However, we are questioning whether using another external expert to reperform the external expert's work (390.16 A2, bullet 2) is a practical safeguard with which to address any threat. It might be more practical, in some circumstances, to use another external expert to review the method and/or results of the external expert's work.

ANNEXURE B – RESPONSE TO REQUEST FOR GENERAL COMMENTS

SAICA engaged members from different constituencies as part of our working group to collate information in responding to the ED. The working group included members from Small and Medium Sized Entities, Regulatory Boards and Academic, amongst others. The comments included in Annexure A therefore includes the inputs from these constituencies.

It is also important to note that South Africa is a developing nation and as noted in the introduction to this submission, SAICA which is Professional Accountancy Organisation (PAO) in South Africa has adopted the IESBA Code. The comments reflected in Annexure A also reflects those of a developing nation.

ANNEXURE C - EDITORIAL COMMENTS

The editorial changes recommended below are denoted as ~~strike-through~~ for deletions and underlined for insertions.

Editorial comment 1

Paragraph number 320.11 A2

Recommended Editorial Changes to ED

When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 390 apply.

Comment

Considering that Section 390 only applies to external experts, we recommend the inclusion of “external” before “expert” in this paragraph for clarity.

Editorial comment 2

Glossary (External Expert)

Recommended Editorial Changes to ED

External experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team.

Comment

We suggest replacing the full stop with a comma between “review team” and “assurance team” for improved coherence.

Editorial comment 3

Paragraph number 290.15 A1

Recommended Editorial Changes to ED

The professional accountant ~~is encouraged to~~ shall communicate with management, and where appropriate, those charged with governance:

Comment

The change in wording will make communication mandatory and enforceable. “Encouraged to” cannot be enforced, whereas “shall” is enforceable. Enforcing communication requirements will lead to enhanced quality on engagements/ assignments. Effectively communicating with TCWG is also a way of protecting the interest of the PA.

Editorial comment 4

Paragraph number 290.16 A1

Recommended Editorial Changes to ED

The professional accountant ~~is encouraged to~~ shall document:

Comment

The change in wording will make documentation requirements mandatory and enforceable. “Encouraged to” cannot be enforced, whereas “shall” is enforceable. Enforcing documentation requirements will lead to enhanced quality on engagements/ assignments. Keeping record of work done is also a way of protecting the interest of the PA. Enforcing documentation requirements, especially for PAPPs also aligns the code with the requirements of ISA 230 Audit Documentation and the proverbial notion of “if it is not documented it is not done”.

Editorial comment 5

Paragraph number 390.21 A1

Recommended Editorial Changes to ED

The professional accountant ~~is encouraged to~~ shall document:

Comment

The change in wording will make documentation requirements mandatory and enforceable. “Encouraged to” cannot be enforced, whereas “shall” is enforceable. Enforcing documentation requirements will lead to enhanced quality on engagements/ assignments. Keeping record of work done is also a way of protecting the interest of the PA. Enforcing documentation requirements, especially for PAPPs also aligns the code with the requirements of ISA 230 Audit Documentation and the proverbial notion of “if it is not documented it is not done”.