

30 April 2024

Mr. Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 5th Avenue  
New York, New York 10017  
USA

## Re: Using the work of an external expert

Dear Mr. Siong,

BDO International Limited<sup>1</sup> (BDO) is pleased to have the opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA or Board) Exposure draft comment letter (CL) in respect of the *Proposed IESBA exposure draft on Using the work of an external expert* (the CL).

Overall, BDO is supportive of the proposed Exposure Draft and we have presented our responses to each of the specific questions below.

### Responses to Specific Questions

#### Glossary

##### Question 1

**Do respondents support the proposals set out in the glossary concerning the proposed new and revised definitions?**

1. BDO generally agrees with the proposals set out in the glossary concerning the proposed new and revised definitions.
2. BDO believes that all common meaning definitions should be aligned;
  - a. Aligning with the definitions used in proposed ISSA 5000 first and foremost, and ideally also
  - b. With the definitions used in the ISAs and the IESBA Code Parts 1-5. Any differences in definitions, even subtle ones, can cause confusion for any practitioner (whether a professional accountant or another practitioner).

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## Recommendations

3. There should be a concerted effort to align the definitions amongst all international standards for commonly intended meanings (proposed ISSA 5000, IESBA Code, IFRS, IFRS S1 & IFRS S2 and ISAs).

### *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?**

4. BDO supports the approach regarding the evaluation of an external expert's competence, capabilities and objectivity.
5. BDO agrees with the **conceptual alignment** to the existing provisions in **ISA 620** and **ISAE 3000 (Revised)**, which facilitates the interoperability with both standards and reduces potential application inconsistencies. In particular, we agree with the requirement that the professional accountant shall have an inquiring mind, exercise professional judgment and use the reasonable and informed third party test.
6. BDO agrees with the evaluation of CCO from an ethics perspective, but we have some **concerns** about the greater rigor to **evaluate objectivity against independence attributes** for external experts in an audit and other assurance context (paragraphs R390.8 to R390.11).

## Recommendations

7. BDO believes that it would be appropriate to **revisit** the evaluation of objectivity against independence attributes with a focus on **the individuals** to whom the objectivity pertains, as well as the **period** to which the objectivity applies.

Also see our response to question 4 below.

#### 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.**

8. BDO agrees that if an expert is not competent, capable or objective, the PA or SAP should not use the expert's work.

## Recommendations

9. The details of how to evaluate the CCO of an expert under proposed R390.6.A2 to R390.6.A4 and ISA 620 A14 to ISA 620 A20 **should be consistent**, to facilitate especially a PA's assessment of the CCO of an expert.
10. Since it is proposed to prohibit a PA or SAP from using an expert's work if the expert is not competent, capable or objective, it is an important decision for the PA or SAP, and a decision that will require professional judgement. It is advised to provide **more guidance** on whether a PA or SAP's consideration should include the **weighting** of CCO individually, and how/whether a PA or SAP's decision should be based on the combined effect.

## 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 EXPLANATORY MEMORANDUM 26 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?

11. Although BDO agrees in principle that a higher level of rigor is appropriate for such assurance engagements to address the heightened public interest, we have some reservations in respect of the additional provisions as detailed above.
12. The provisions will likely require experts to implement enhancements to their internal quality management systems, which may impact **market availability** of experts.
13. It must also be recognised that in practice, audit firms will be **reliant on the external expert** to provide accurate confirmations concerning their independence, as information on the external expert will be outside of the firm's internal quality management systems.
14. **Firms will be limited** in their ability to obtain corroborating evidence in this regard.

### Recommendations

15. **Explicitly setting expectations** with regards to the firm's limitations within the standard, will help eliminate the risk of any expectation gap amongst other stakeholders.

## 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?

16. BDO agrees that it is helpful to include application guidance in Sections 390 and 5390 in relation to the conceptual framework, **provided the guidance is consistent** with Section 120.6 A3. However, we have the following comments that are relevant to Sections 390 and 5390.
17. BDO does not think that the second bullet of proposed Section 390.14 A1 (a) is consistent with the definition of a self-interest threat at 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). Furthermore, the concept of '**undue reliance on**' an external expert who has the necessary competence, capabilities and objectivity for the accountant or practitioner's purpose, is **not explained** in the draft Section 390. Introducing this concept in 390.14 A1 without further explanation or discussion seems likely to introduce uncertainty and inconsistency as to what constitutes '*undue reliance on*' an external expert.
18. BDO also believes that the example of an advocacy threat in proposed Section 390.14 A1 (b) is inconsistent with Section 120.6 A3 (c). The advocacy threat is defined in terms of the PA's

ability to promote (not disadvantage) a client's position. Introducing the **notion** that a PA or SAP would **intentionally** use the work of an external expert that could reasonably be expected to **disadvantage the client** seems likely to introduce topics that are not currently addressed in the IESBA Code. Furthermore, an external expert's known bias is a relevant factor in the PA/SAP's evaluation of the expert's objectivity (per 390.6 A4, bullet 3), so it should not be repeated as an advocacy threat in 390.14 A1.

19. BDO believes 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 different engagements, a PA may become too accepting of the external expert's work.
20. BDO believes that using a different external expert would effectively eliminate a familiarity threat (390.16 A1) in any circumstance that we can envisage. However, we are doubtful that **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.
21. BDO has no further comments.

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We appreciate the opportunity to comment on the exposure draft. We hope that our comments and suggestions will be helpful to you in your deliberations and development of future recommendations.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,

BDO International Limited



Basile Dura  
Secretary