

**Exposure Draft 02/25: Proposed Revisions to the Code Addressing the Work of an External Expert**

Review of Submissions - Specific Comments  
Exposure Draft 02/25: Proposed Revisions to the Code Addressing the Work of an External Expert

**Note: General comments relating to Exposure Draft 02/25 are addressed in a separate table. This table excludes minor editorial changes.**

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to the standard?
1	2 – Definition of 'Expert'	CA ANZ	We note that the proposed definition of the expert includes their organisation, but not an external, secondary expert. We will raise this matter with the IESBA for their consideration in a post-implementation review of the requirements.	No
2	2 – Definition of 'Expert', 'Expertise', and 'External Expert'	IPA	<ul style="list-style-type: none"> <li><b>New definitions of "expert" and "expertise," and a revised definition of "External Expert".</b></li> </ul> <p>Specifically, IPA supports the inclusion of "experience" in the proposed definition of "expertise", as in practice an expert lacking sufficient experience despite possessing a high level of knowledge or skills in their field of expertise may raise unacceptable risks for a professional accountant. The inclusion of "experience" also aligns with the definition of "expertise" in ASA 620 <i>Using the Work of an Auditor's Expert</i>.</p>	No
3	Section 290 Section 390 Section 5390	IPA	<p>In particular, we support the proposals to:</p> <ul style="list-style-type: none"> <li><b>New Sections 290, 390 and 5390</b>, that establish an ethical framework to guide Members in Business, Members in Public Practice and Sustainability Assurance Practitioners (SAPs) in evaluating whether an External Expert has the necessary competence, capabilities and objectivity (CCO) for the Member or SAP to use the expert's work for the intended purposes. However, in practice, we think professional accountants in small and medium-sized environments are likely to struggle with making a CCO evaluation of an external expert. IPA recommends the APESB work closely with IESBA to develop guidance and tools to assist the application of the proposed requirements, especially in assessing objectivity in practice.</li> </ul>	No
4	390.9 A1, 5390.9 A1	KPMG	The ED outlines criteria for assessing the independence of an external expert, including considering the existence and adequacy of a system of quality management (SoQM). This is an onerous and burdensome requirement for external experts who have not previously been subject to such requirements, for example sustainability experts that don't currently provide audit services. In the absence of a regulatory	No

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			requirement, they would find it difficult to demonstrate the existence of a SoQM. Additionally, we consider that assessing the adequacy of the SoQM would be difficult without further guidance.	
5	R290.12 R390.21 R5390.21	CA ANZ	<p><i>Application of Safeguards for Competence, Capability and Objectivity</i></p> <p>We note that in the final standard at R290.12(c), R390.21(c) and R5390.21(c) the IESBA has applied the conceptual framework to evaluate threats to objectivity and applies a prohibition only if the Professional Accountant (PA) is unable to determine whether the external expert is objective or identified threats to objectivity cannot be eliminated or reduced to an acceptable level. This is consistent with the conceptual framework set out in Section 120 of the Code.</p> <p>We are concerned that as a result of paragraphs R290.12(a) and (b), R390.21(a) and (b) and R5390.21(a) and (b) no safeguards are available if the expert does not have the necessary competencies or capabilities.<sup>2</sup> Whilst we support prohibitions in a principles-based Code where the risk/s to the public interest cannot be eliminated or reduced to an acceptable level via application of available safeguards as determined by the reasonable and informed third party test, we believe in this circumstance, there are appropriate safeguards that should be considered. For example, an expert may supplement their competency and capability by seeking a contribution from a secondary, external expert for an element of an engagement. If the primary external expert is able to understand and critically evaluate the contribution and conclusions of the secondary external expert, we consider this may provide a safeguard where there is a gap in competency and/or capability of an otherwise competent and capable primary expert.</p> <p><sup>2</sup> IESBA Basis for Conclusions: Revisions to the Code Addressing Using the Work of an External Expert, paragraph 51</p>	No
6	R290.12 R390.21 R5390.21	IPA	<ul style="list-style-type: none"> <li>• <b>a prohibition on using the work of an External Expert</b> if it is determined that the expert does not have the necessary CCO, or if the Member or SAP is unable to make such a determination. However, IPA notes that this may be challenging in the first few years of implementing the requirements given the potential</li> </ul>	No

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			limitations in the availability of experts for sustainability reporting and sustainability assurance services.	
7	R390.14 to R390.17  R5390.14 to R5390.17	CA ANZ	<p><i>Objectivity of External Experts for Audits and Reviews of Public Interest Entities</i></p> <p>We welcome the approach taken to delineate the provisions that address the auditor's objectivity information requests from external experts for Public Interest Entities (PIEs) and non-PIEs. This approach ensures proportionality is applied to the CCO requirements for non-PIEs and may increase the supply of available experts, reduce costs and barriers to entry for smaller market participants.</p> <p>We continue to hold concerns about the proposed requirements in paragraphs R390.14-.17 and R5390.14-.17 which, for PIE audit and review engagements, appear to assess external experts through the lens of independence rather than from the conceptual basis of objectivity. The expert is not a member of the engagement, audit, or assurance team yet the proposed revisions effectively create a new limb of independence for these experts, which may not be appropriate given the scope and impact of the expert's contribution to the audit or review engagement. We urge the APESB to specifically consider these requirements in light of the small Australian marketplace.</p>	No
8	Transitional Provisions paragraph 13 – effective date	CA ANZ	<p><i>Transitional Provisions</i></p> <p>The ED requested specific comment and feedback on whether respondents support the proposed transitional relief provisions and whether they appropriately address any practical challenges that may arise during the implementation of the new requirements.</p> <p>We acknowledge that the commencement of legislation relating to sustainability assurance engagements prior to the approval of relevant ethical standards by standard setters such as the APESB has resulted in the need for complex transitional provisions. On this basis, we support the operative date for sustainability assurance engagements included in the ED being on or after 1 January 2026 or as at a specific date on or after 1 January 2026. We agree that a retrospective operative date would be inappropriate.</p>	No change to the effective date. However, changes are proposed to the transitional provisions for Sustainability Assurance Engagements as set out in Specific Comment item 14 below.

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9	Transitional Provisions paragraph 13 – effective date	Deloitte	As a general comment, Deloitte's strong preference is that the effective date of any new standard adopted in Australia be aligned with the effective date of the corresponding international standard, to support clarity and consistency and provide sufficient time for implementation.	No change to the effective date. However, changes are proposed to the transitional relief provisions as set out in Specific Comment item 14 below.
10	Transitional Provisions paragraph 13 – effective date	EY	<u>ED 02/25 – Using the Work of an External Expert</u>  For all other engagements and professional activities not related to sustainability assurance, we recommend that the operative date for external expert provisions is aligned with the IESBA effective date of 15 December 2026. We are not aware of any compelling reason for there to be a different start date.	No change to the effective date. However, changes are proposed to the transitional relief provisions as set out in Specific Comment item 14 below.

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Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to the standard?
11	Transitional Provisions paragraph 13 – effective date & transitional relief provisions	IPA	<b>Proposed operative date</b> to be effective for sustainability assurance engagements commencing on or after 1 January 2026, and for all other engagements and professional activities from 1 January 2027 with transitional relief in specific circumstances. Early adoption of the revised Standard is also permitted. IPA supports the proposed operative date and transitional provisions, especially the transitional relief on the basis that the provisions recognise Australia's legislative environment is more advanced in requiring mandatory reporting and assurance of sustainability information (ED 02/25, page iv).	No change to the effective date. However, changes are proposed to the transitional relief provisions as set out in Specific Comment item 14 below.
12	Transitional Provisions paragraph 13 – transitional relief provisions	CPAA	CPA Australia supports the transitional relief proposed by APESB due to the effective date of the AUASB's Standard on Sustainability Assurance ASSA 5000: <i>General Requirements for Sustainability Assurance Engagements</i> (ASSA 5000) and the differing effective dates between ASSA 5000 and the effective dates proposed in this Exposure Draft. We seek clarification: <ol style="list-style-type: none"> <li>whether the two tranches of optional transitional relief are <u>both</u> available for sustainability engagements ie. a sustainability engagement practitioners may avail themselves of <u>both</u> tranches set out in proposed section 13 to the Transitional Provisions of the extant version of the Code; and</li> <li>that if the members <u>do not</u> choose to apply the optional transitional relief which provisions regarding the use of the work of an external expert apply for engagements with external experts entered into before 1 January 2025 and for which work has already commenced.</li> </ol>	Yes - changes are proposed to the transitional relief provisions for Sustainability Assurance Engagements as set out in Specific Comment item 14 below
13	Transitional Provisions paragraph 13 – transitional relief provisions	EY	We broadly agree with the proposed optional transitional relief for sustainability assurance engagements. For simplicity, we believe the first tranche of the relief can be removed provided the AUASB Board approves the amendments to ASSA 5000 as detailed in their latest 14 May 2025 Board Meeting Agenda Paper <sup>1</sup> .  As for the second tranche, our understanding of the proposed transitional relief is as follows:	Yes - changes are proposed to the transitional relief provisions for Sustainability Assurance Engagements as set out in Specific Comment item 14 below

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Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to the standard?
			<ul style="list-style-type: none"> <li>For sustainability assurance engagements that are within the scope of paragraph 5400.3b (e.g. assurance engagements required under Chapter 2M of the <i>Corporations Act 2001</i>), the practitioner may apply the reduced requirements contained under paragraphs R5390.12 to 5390.13 A2.</li> <li>For all other sustainability assurance engagements, the firm may continue to apply the extant provisions of APES 110.</li> </ul> <p>If the above is consistent with the APESB's intended interpretation, we recommend that the sequencing of the two paragraphs are reversed and that clarification wording is added.</p> <p><sup>1</sup> <a href="#">AUASB Board Paper Pack M160</a></p>	
14	Transitional Provisions paragraph 13 – transitional relief provisions & transparency disclosure	EY	<p><u>Transitional Provisions for Sustainability Assurance Engagements</u></p> <p><u>For periods before 1 January 2025</u></p> <p><del>For External Expert engagements that a Firm or Network Firm has entered into for a Sustainability Assurance Client before 1 January 2025 and for which work has already commenced, the Firm or Network Firm may continue such engagements under the extant provisions of the Code in accordance with the original engagement terms for no more than one reporting cycle.</del></p> <p><u>For periods between 1 January 2025 and 31 December 2026</u></p> <p><del>For External Expert engagements that a Firm or Network Firm has entered into for a Sustainability Assurance Client for a period ending on or before 31 December 2026, the Firm or Network Firm may undertake such engagements under the extant provisions of the Code.</del></p> <p>For Sustainability Assurance Engagements that are within the scope of paragraph 5400.3b of the Code, the Firm's Sustainability Assurance Practitioner may apply paragraphs R5390.12 to 5390.13 A2 for Sustainability Assurance Engagements on Sustainability Information for a period ending on or before 31 December 2026, or as at a specific date on or before 31 December 2026.</p>	Yes - changes are proposed to the transitional provisions for Sustainability Assurance Engagements

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			<p>For <u>all other</u> External Expert engagements that a Firm or Network Firm has entered into for a Sustainability Assurance Client for a period ending on or before 31 December 2026, the Firm or Network Firm may undertake such engagements under the extant provisions of the Code.</p> <p><del><u>Transparency requirement when transitional relief provisions have been utilised</u></del></p> <p><del>Where the relief allowed by a transitional provision is used, the Firm or Network Firm shall disclose to Those Charged with Governance of the Sustainability Assurance Client the use of the provision for the relevant External Expert(s).</del></p>	
15	Transitional Provisions paragraph 13 – transparency disclosure	EY	<p>Finally, we do not agree with the proposed transitional relief transparency requirement as it diverges from established practices. Previous transitional provisions that have been included in APES 110, for example the December 2022 amendments in relation to non-assurance services, did not require such disclosure.</p> <p>In our view, if a practitioner is compliant with the transitional provisions permitted under APES 110, then there should not be exceptions disclosure to Those Charged with Governance as it could cause unnecessary confusion and overcomplicate the implementation process of the new Part 5 for all practitioners.</p> <p><sup>1</sup> <a href="#">AUASB Board Paper Pack M160</a></p>	<p>Changes are proposed to the transitional relief provisions as set out in Specific Comment item 14 above.</p> <p>The Board to consider the retention of the transparency disclosure requirement.</p>
16	Transitional Provisions paragraph 13 – transparency disclosure	CA ANZ	<p>We do note the disclosure obligation where the Firm or Network firm has utilised the proposed transitional relief provisions. Where a transitional arrangement is deemed appropriate, then it should not be necessary to create a specific disclosure as the purpose of a transitional arrangement is to better address the overall objectives of the Code given the prevailing circumstances. In our experience, this type of disclosure requirement is uncommon and may inadvertently cause confusion about whether the Code has been complied with, or a lesser standard has been applied.</p>	<p>Changes are proposed to the transitional relief provisions as set out in Specific Comment item 14 above.</p> <p>The Board to consider the retention of the transparency disclosure requirement.</p>

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## RESPONDENTS

1	CA ANZ	Chartered Accountants Australia and New Zealand
2	CPAA	CPA Australia
3	Deloitte	Deloitte Touche Tohmatsu
4	EY	Ernst & Young
5	IPA	Institute of Public Accountants
6	KPMG	KPMG