



Monday, 12 May 2025

Channa Wijesinghe
Chief Executive Officer
Accounting Professional and Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne VIC 3000

Submission via email: sub@apesb.org.au

Dear Channa

Exposure Draft 02/25: Proposed Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert

Chartered Accountants Australia and New Zealand (**CA ANZ**) appreciates the opportunity to provide comment to the Accounting Professional and Ethical Standards Board (**APESB**) on its proposals to address Using the Work of an External Expert (**the ED**) via proposed revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (**the Code**). We make this submission on behalf of our members and in the public interest.

General Comments

Consistent with our comments to the [International Ethics Standards Board for Accountants \(IESBA\)](#) on this matter, CA ANZ is broadly supportive of the proposals that introduce a framework to assist in evaluating whether an expert has the necessary competence, capabilities, and objectivity (**CCO**) to meet the intended purpose/s of the engagement by the inclusion of the following three new sections to the Code and other related amendments to the Code:

- Section 290 for Professional Accountants in Business (**PAIBs**)
- Section 390 for Professional Accountants in Public Practice (**PAPPs**); and
- Section 5390 for Sustainability Assurance Practitioners (**SAPs**).

We support the proposal to explicitly refer to external experts who are engaged by an employing organisation, firm, or SAP to differentiate between experts who might be internal to the firm or employing organisation. We welcome the inclusion of “experience” in the proposed definition of “expertise”. We note that the inclusion of “experience” was in response to comments (including those of CA ANZ) to the IESBA about the importance of experience as an essential component of

expertise¹. The amended definition will now align with the definition contained in ASA 620 *Using the Work of an Auditor's Expert (ASA 620)* improving the congruence of both standards.

As set out in our response to IESBA's exposure draft, we foresee significant practical challenges that may arise due to objectivity requirements applying to all experts regardless of the scope, importance, or materiality of their work. Where the number of experts available is less than the demand for their services, the ability to meet the objectivity test may be difficult, particularly in smaller market economies, such as Australia. This may cause a detriment to the public interest where an expert cannot complete an engagement, or no suitable expert can be identified. We urge the APESB to specifically consider this requirement considering the Australian marketplace.

Application of Safeguards for Competence, Capability and Objectivity

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.

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.² 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.

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.

Objectivity of External Experts for Audits and Reviews of Public Interest Entities

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.

¹ IESBA Basis for Conclusions: Revisions to the Code Addressing Using the Work of an External Expert, paragraph 43

² IESBA Basis for Conclusions: Revisions to the Code Addressing Using the Work of an External Expert, paragraph 51

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.

Transitional Provisions

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.

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.

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.

The **Appendix** provides more information about CA ANZ. Should you have any queries about the matters raised in this submission, or wish to discuss them in further detail, please contact Josephine Haste FCA, by email via josephine.haste@charteredaccountantsanz.com.

Sincerely

Simon Grant FCA
Group Executive
Advocacy & International Development

Vanessa Chapman
Group Executive
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Appendix

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 139,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.