



**The Japanese Institute of
Certified Public Accountants**

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Mr. Ken Siong
Program and Senior Director
International Ethics Standards Board for Accountants
529 Fifth Avenue,
New York, NY 10017
USA

Dear Mr. Siong:

**JICPA comments on the IESBA Exposure Draft on
*Using the Work of an External Expert***

The Japanese Institute of Certified Public Accountants (JICPA) expresses its appreciation for the activities of the International Ethics Standards Board for Accountants (IESBA), and is grateful for the opportunity to share its comments on the IESBA Exposure Draft on *Using the Work of an External Expert*.

Our responses to the questions raised by the IESBA are as follows:

I. Request for Specific Comments

Glossary

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

We support the proposals set out in the glossary concerning the proposed new and revised definitions, except for the following matters.

The ED's glossary states that external experts are not members of the engagement team, audit team, review team, assurance team, or sustainability assurance team. We suggest that the IESBA provide guidance on the definition of an external expert, including specific examples of service providers

performing professional services and individuals who can directly influence the outcome of an assurance engagement, because especially in a sustainability assurance engagement, it might be difficult to determine who is a member of the engagement team or the sustainability assurance team. In addition, in finalizing revisions to the IESBA Code relating to using the work of an external expert, we suggest that the IESBA ensure that the revisions and the definitions of the terms “auditor’s expert” and “management’s expert” are consistent with those used in ISA 620 and ISSA 5000.

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.

(Comment)

Paragraph R390.8 of the ED sets out what information a professional accountant shall request an external expert to provide, but we believe that information needed to evaluate an external expert’s objectivity would differ, depending on the interests, relationships or circumstances of the external expert. Therefore, we propose to revise “information about:” to “information needed for purposes of assisting the accountant’s evaluation of an external expert’s objectivity” at the end of paragraph R390.8. Further, we propose to move subparagraphs (a) to (m) of paragraph R390.8 to application material and to make them examples of factors to evaluate an external expert’s objectivity.

If the revisions above are to be made, we also suggest that paragraph R5390.8 be revised in the same way as paragraph R390.8.

In addition, if a client has multiple related entities and an external expert performs work that directly influences the outcome of the group audit engagement or the group sustainability assurance engagement as a whole, we believe it is necessary to clarify the scope of such entities for which the PA or SAP shall evaluate the external expert’s objectivity. To avoid possible variation in scope, we suggest providing guidance on how to consider the scope of the entities for which the PA or SAP shall evaluate an external expert’s objectivity when using the work of the external expert.

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.

(Comment)

When a PA or SAP is to use the work of an external expert in jurisdictions or fields with limited availability of experts, we assume that we may encounter difficulty in ensuring that the external expert is objective, even if the PA or SAP considers using an expert from another jurisdiction or consulting with the appropriate regulatory or professional body. In this case, if the PA or SAP is

prohibited from using the work of an external expert who is not objective, particularly in an audit or other assurance (including sustainability assurance) engagement, we believe that a situation might arise in which the PA or SAP cannot express an audit opinion or another assurance opinion in a specific area or field. In order to avoid such situation, we suggest that the IESBA add a provision in which a PA or SAP can use the work of an external expert who may not be sufficiently objective if the PA or SAP determines that the work of the external expert does not significantly influence the outcome of the audit engagement or other assurance engagement considering, for example, the significance of the work of the external expert. Furthermore, we suggest that the IESBA provide guidance on how to consider such situations in which a PA or SPA can use the work of an external expert even if the external expert may not be sufficiently objective.

In addition, we suggest that the IESBA coordinate with the IAASB in the process of finalizing the revisions to the Code because we believe that it is necessary to set out actions of the PA or SAP other than using the work of an external expert in assurance standards to address situations in which the external expert does not have competence, capability or objectivity.

When the IESBA develops transitional provisions relating to using the work of an external expert in areas or fields with limited availability of experts, we also suggest that such transitional provisions be based on the assumption that new technology and new areas or fields will continue to emerge in the future.

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).

(Comment)

An external expert might not have the systems of quality management set out in International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, so we believe it is necessary to acknowledge that the accuracy of information provided by an external expert that is needed for the evaluation of the external expert's competence, capabilities or objectivity is by nature different from the accuracy of information provided by a PA to assist the evaluation that the PA is independent of a client.

As noted in 2 above, paragraph R390.8 of the ED specifies what information shall be requested from an external expert, but we believe that the information required to evaluate the objectivity of an external expert would differ, depending on the interests, relationships or circumstances of the

external expert. Therefore, we propose to revise “information about:” to “information needed for purposes of assisting the accountant’s evaluation of an external expert’s objectivity” at the end of paragraph R390.8. Further, we propose to move subparagraphs (a) to (m) of paragraph R390.8 to application material and to make them examples to evaluate an external expert’s objectivity.

If the revisions above are to be made, we also suggest that paragraph R5390.8 be revised in the same way as paragraph R390.8.

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).

(Comment)

We support the provisions that guide the PA or SAP in applying the conceptual framework when using the work of an external expert. There are no other considerations that should be included.

II. Request for General Comments

(a) *Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)* – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

(Comment)

We have no comment.

(b) *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

(Comment)

Not applicable.

(c) *Sustainability Assurance Practitioners Other than Professional Accountants* – The IESBA invites comments on the clarity, understandability and usability of the proposals from SAPs outside of the accountancy profession who perform sustainability assurance engagements addressed in the proposed Part 5 of the Code.

(Comment)

Not applicable.

(d) *Developing Nations* – Recognizing that many developing nations have adopted or are in the

process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

(Comment)

Not applicable.

(e) *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

(Comment)

We do not have any specific comments on the wording used in the Exposure Draft from the perspective of translation into Japanese.

However, English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Toshiyuki Nishida

Executive Board Member - Ethics Standards

The Japanese Institute of Certified Public Accountants