

### Ethical Considerations in Using External Experts in Assurance and Related Services Engagement

#### The expanding role of experts across engagements

The use of external experts is now standard in audits, reviews, other assurance engagements, and related services engagements. As financial reporting, assurance scopes and regulatory expectations continue to evolve, the use of external experts has become integral to addressing areas that involve significant judgment, estimation uncertainty, and specialized technical knowledge. Auditors increasingly draw on valuation experts, actuaries, engineers, legal and tax specialists, environmental and sustainability experts, and other specialists in areas such as the valuation of complex assets and liabilities (including financial instruments, land and buildings, plant and machinery, intangible assets, employee benefit obligations and litigation-related liabilities), estimation of oil and gas reserves, and interpretation of contracts, laws and regulations. Expert

involvement is also increasingly relevant in sustainability-related engagements, including the calculation of greenhouse gas emissions, measurement of pollutants, assessment of decarbonisation plans, use of offsetting mechanisms, and valuation of products designed for a sustainable economy.

This trend is particularly evident in audits conducted under the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), where the work of the auditor's experts supports the auditor in forming conclusions in technically complex and judgment-intensive areas. Ultimately, however, full responsibility for the audit engagement, including conclusions and opinions expressed, rest with the auditor.



## **Amendments to the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants (IESBA)**

IESBA recently amended the International Code of Ethics for Professional Accountants to explicitly address ethical considerations arising from the use of external experts. Among other changes, a new Section 390 was added to the International Code of Ethics providing a dedicated ethical framework governing the use of external experts by professional accountants in practice. The section requires professional accountants in practice to apply the Conceptual Framework when an external expert's work is intended to be used, recognising that such use may pose threats to compliance with the fundamental principles of professional ethics. It explicitly requires an evaluation of whether the external expert has the necessary competence, capabilities and objectivity for the intended purpose, including consideration of interests, relationships or other circumstances that may create threats to objectivity. Where the professional accountant is unable to determine, or concludes that the expert does not possess these attributes, or that identified threats cannot be eliminated or reduced to an acceptable level, the Code prohibits the use of that expert's work. The section also includes requirements and application material relating to agreeing the terms of engagement with the external expert, re-evaluating the expert when circumstances change, and appropriately communicating and documenting ethical considerations arising from the use of expert work.

Corresponding amendments have also been introduced in Sections 290 and 5390 of the Code to reflect similar ethical framework for professional accountants in business and sustainability assurance practitioners, respectively.

## **IAASB standard amendments reflecting above ethical considerations**

In parallel, the IAASB has now issued targeted amendments to ISA 620, Using the Work of an Auditor's Expert, ISRE 2400 (Revised), Engagements to Review Historical Financial Statements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, ISRS 4400 (Revised), Agreed-upon Procedures Engagements. These amendments arise from continued coordination between the IAASB and the IESBA and are designed to support consistency and interoperability between the standards issued by IAASB and the ethical requirements set out in the IESBA International Code of Ethics.

The amendments to ISA 620 require the auditor to consider relevant ethical requirements under the Code when using an auditor's expert and to reflect those requirements in evaluating the expert's competence, capabilities and objectivity. In doing so, the auditor may be required to obtain information in writing from the auditor's external expert regarding interests, relationships, or other circumstances that could give rise to threats to objectivity. Consistent with the Code, ISA 620 makes it clear that where such threats cannot be eliminated or reduced to an acceptable level, the auditor is not permitted to use the work of that expert, and that doing so would be inconsistent with the auditor's ethical responsibilities.

## Conclusion

For audit and professional services firms globally, these developments underscore the importance of approaching the use of external experts through a combined technical and ethical lens across all professional engagements. The Firms may consider revisiting policies and engagement practices for the selection of experts, the assessment of objectivity and conflicts, and the documentation of ethical evaluations for all assurance and related services engagements. As Indian firms increasingly rely on specialists in complex Ind AS matters, valuations, technology-enabled engagements, and while reporting on internal control over financial reporting (ICFR) and related systems, early alignment with these changes can support consistency, quality, and confidence among stakeholders. Viewed together, these developments provide greater clarity on how the involvement of external experts is addressed within the professional accountant's ethical and professional responsibilities.

For companies, this may translate into more focused information requests and greater transparency around how specialist inputs are obtained and evaluated as part of professional engagements.

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