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Agenda Item
11

Committee: IAASB

Meeting Location: Warsaw

Meeting Date: July 9-13, 2007

Experts

Objective of Agenda Item

1. To approve proposed ISA 620 (Revised and Redrafted), "Using the Work of an Auditor's Expert" for issue as an exposure draft.

Task Force Members

2. The members of the Task Force are:

   Josef Ferlings, Chair (IAASB member – Germany; supported by Wolfgang Böhm, IdW)

   Craig Crawford (IAASB member – USA; supported by Hiram Hasty, AICPA)

   Greg Shields (IAASB Technical Adviser – Canada)

   Cláudio Castello Branco (nominated by INTOSAI – Brazil)

   Dale Gislason (nominated by IFAC's SMP Committee – Canada)

   The Task Force also maintains active liaison with Sam Gutterman and Jim Milholland (International Actuarial Association), and Jan Munro (IESBA – International Ethics Standards Board for Accountants).

Background

3. The project proposal was approved by the IAASB in December 2004. An initial Issues Paper was reviewed by the IAASB in December 2005 (Cape Town), and a second Issues Paper plus a draft ISA was reviewed in July 2006 (Brussels). Revised drafts and issues papers were discussed in October 2006 (New York), and in April 2007 (Sydney). Since April, the task force has met a number of times by conference call.

Matters for IAASB Consideration

4. *Definition of engagement team:* As requested at the April meeting, the IAASB's concerns over the inclusion of external experts in the IESBA's proposed definition of engagement team have been communicated to the IESBA. The ISA 620 task force has continued to liaise with the IESBA Independence task force, including Greg Shields attending their meeting in Toronto in early June. The IESBA will be meeting in late June. A verbal report on developments will be provided to the IAASB.

5. *Management's experts:* At the April meeting, the IAASB asked for the introductory paragraphs of proposed ISA 620 (Revised and Redrafted) to address, albeit briefly, experts employed or engaged by the entity (management's experts). This has been done in paragraph 2 of the attached draft, which follows the approach identified by the IAASB at the April meeting. The task force also intends to include in the explanatory memorandum to the ED, an invitation to comment on whether this treatment is satisfactory or whether a further project on management's experts should be initiated.

6. *Sliding scale:* At the April meeting, the IAASB asked for the text regarding the "sliding scale" (i.e., the fact that the nature, timing and extent of audit procedures will vary with the circumstances) to be included in the requirements section, and to specifically recognize the role of the firm's quality control policies and procedures. This has been done in paragraph 9. The task force considered whether this paragraph should precede paragraph 8 because the nature, timing and extent of audit procedures to obtain an understanding of the auditor's expert also will vary with the circumstances. The task force is of the view, however, that this fact is already clear from the wording of paragraph 8 and its application material, and that paragraph 9 is better placed where it is.

7. *Management representation:* Paragraph A13 states, in the context of considering an external expert's objectivity, that "obtaining a representation from the entity that details any known interests or relationships with the auditor's external expert may be of assistance." While the task force agrees that this may be helpful in some circumstances, for it to be effective, the representation letter would need to identify each expert individually, and management would need to apply a process to identify any relationship the expert has had with the entity. This may be particularly difficult, and of little benefit, in many cases, e.g. many large, multi location engagements. The task force seeks the IAASB's feedback on whether this sentence should be retained.

Material Presented

Agenda Item 11-A (Pages 2403 - 2418)	Proposed ISA 620 (Revised and Redrafted) – Clean
Agenda Item 11-B (Pages 2419 - 2434)	Proposed ISA 620 (Revised and Redrafted) – Mark-up

Action Requested

The IAASB is asked to:

- Discuss the issues raised above; and
- Approve, amended as necessary, the attached draft for issue as an exposure draft.