



**International Federation of Accountants**

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## Agenda Item

# 11

**Committee:** IAASB

**Meeting Location:** Madrid

**Meeting Date:** September 24-28, 2007

### Experts

#### Objective of Agenda Item

1. To approve proposed ISA 620 (Revised and Redrafted), “Using the Work of an Auditor’s Expert,” including conforming amendments to proposed ISA 500 (Redrafted), “Considering the Relevance and Reliability of Audit Evidence,” for issue as an exposure draft (ED).

#### Task Force Composition

2. The members of the Task Force are:
  - Josef Ferlings (Chair) (IAASB technical advisor; supported by Wolfgang Böhm, IdW)
  - Craig Crawford (IAASB member; supported by Hiram Hasty, AICPA)
  - Greg Shields (IAASB technical adviser)
  - Cláudio Castello Branco (nominated by INTOSAI)
  - Dale Gislason (nominated by IFAC’s SMP Committee)

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

#### 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, and a second Issues Paper plus a draft ISA was reviewed in July 2006. Revised drafts and issues papers were discussed in October 2006, April and July 2007. Since July, the Task Force has met by conference call.

#### Matters for IAASB Consideration

##### *Definition of engagement team*

4. As discussed in previous meetings, the Task Force has been liaising with the IESBA Independence Task Force (ITF) regarding the exclusion of external experts from the definition of engagement team, and the approach proposed ISA 620 (Revised and Redrafted) takes to the objectivity of auditors’ external experts.

5. The definition of engagement team used in the attached draft is that which the ITF is currently working with for use in the Code of Ethics following responses to its December 2006 ED. It is the same definition as that used in the ED of the IAASB's quality control standards<sup>1</sup> approved in July. It excludes external experts.
6. Continued liaison following a meeting of the ITF in August has resulted in the Task Force suggesting additional changes to the draft, in particular an explicit requirement regarding external experts in paragraph 9, and some rewording of paragraphs A15-A16.

#### *Management's experts*

7. At the July 2007 meeting, the IAASB asked the Task Force to consider how the ISA could be revised using text from the explanatory material as a basis for requirements addressing work done by management's experts (experts employed or engaged by management). Following that meeting, the US Auditing Practices Board's Specialists Task Force suggested that, because of the relationship between management's experts and the reliability of audit evidence, this topic may better be addressed by conforming amendments to proposed ISA 500 (Redrafted).
8. The Task Force agrees with that suggestion and has included proposed wording for conforming amendments to proposed ISA 500 (Redrafted) in the attached draft.

#### *Other matters*

9. The "sliding scale" paragraph (i.e., the requirement that deals with how the nature, timing and extent of audit procedures vary with the circumstances) has been repositioned to follow the requirement to determine the need for an auditor's expert, as agreed at the July IAASB meeting.
10. A small number of other changes have been made in the attached draft, in addition to those agreed to at the July meeting, resulting from the Task Force's consideration of comments received after the July meeting in response to the chairman's request for members to forward substantive comments to the Task Force.

### **Material Presented**

Agenda Item 11-A      Proposed ISA 620 (Revised and Redrafted) – Clean  
(Pages 2889 – 2906)

Agenda Item 11-B      Proposed ISA 620 (Revised and Redrafted) – Mark-up  
(Pages 2907 – 2926)

### **Draft to be Discussed during the Meeting**

The Task Force proposes that the IAASB discuss the mark-up version of the revised draft during the meeting (Agenda Item 11-B).

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<sup>1</sup> Proposed ISA 220 (Redrafted), "Quality Control for an Audit of Financial Statements" and proposed ISQC 1 (Redrafted), "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements."

**Action Requested**

The IAASB is asked to approve for issue as an ED, amended as necessary, the attached proposed ISA 620 (Revised and Redrafted), including conforming amendments to proposed ISA 500 (Redrafted).

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