

IAASB CAG PAPER



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Agenda Item

M.1

Committee: IAASB Consultative Advisory Group

Meeting Location: Paris

Meeting Date: May 11-12, 2006

Report Back—Using the Work of an Expert

Objectives of Agenda Item

1. To provide a brief report back on the November 30-December 1, 2005 proposals of Representatives on the issues paper on revision of ISA 620 “Using the Work of an Expert.”

November 30-December 1, 2005 CAG Proposals

2. Below is an extract from the minutes of the November 30-December 1, 2005 CAG meeting minutes¹ and an indication of how the IAASB task force or the IAASB responded to the Representatives’ comments.

Representatives’ comments	IAASB task force/IAASB response
It was suggested that the proposed ISA provide guidance on the circumstances in which an expert should be used by the auditor. Mr. Ferlings explained that the auditor’s decision is based on the results of his or her risk assessment, which should include an assessment of the professional competence of the engagement team.	The IAASB agreed that guidance on this matter should be provided in the revised ISA. The extent of guidance is still to be determined. This comment will be considered further as the draft develops.
It was suggested that the proposed ISA provide guidance on how the auditor should satisfy himself or herself of the professional qualifications and competence of the expert, of the quality of the experts’ work, and that sufficient appropriate audit evidence has been obtained.	Guidance on these topics will be provided.
It was asked that the following matter(s) be clarified in the proposed revised ISA: <ul style="list-style-type: none">• The application of a risk based approach to the use of the work of an expert – as proposed in the	This matter is discussed in the main paper on this topic at Agenda Item M . Aspects of these points are raised in the main paper on this topic at Agenda Item M . Other points are still under consideration by the Task Force and will be

¹ The minutes will be approved at the May 11-12, 2006 IAASB CAG meeting.

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IAASB CAG Agenda (May 2006)

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Report Back—Using the Work of an Expert

Representatives' comments	IAASB task force/IAASB response
<p>issues paper.</p> <ul style="list-style-type: none"> • The use of an expert employed by the auditor's firm and when to apply ISA 220, "Quality Control for Audits of Historical Financial Information," instead of the proposed revised ISA. Mr. Gutterman was of the view that a "bright line" may not exist. Mr. Popham asked about the difference between building an engagement team with the "right specialists" and building an engagement team and then deciding on which experts to use. Some argued that an expert under the direct supervision of the auditor could be considered part of the engagement team. Mr. Popham asked whether an expert employed by the firm but consulted by the engagement team should be treated differently from an expert employed by the firm and who is part of the engagement team. Mr. Roussey was of the view that, if the auditor's firm has "vetted" the expert employed by the firm, the auditor should not also have to do it, while Mr. Gutterman was of the view that the engagement team should determine whether the expert has the appropriate expertise. • Whether the auditor can accept an engagement where a significant part of the audit evidence will be obtained through experts. 	<p>raised as the draft develops.</p> <p>The IAASB noted that the auditor has an ethical duty (also repeated in the Assurance Framework) not to accept an engagement where the auditor does not have the appropriate expertise, and agreed that the revised ISA need not address the question of what is a "sufficient" level of involvement in the audit. .</p>
<p>Mr. Gutterman did not think that it was necessary to distinguish types of expert in the scope of the proposed revised ISA. Mr. Sekiguchi noted that in some jurisdictions, law, regulation or the code of ethics requires the auditor to be an expert in accounting and taxation.</p>	<p>The IAASB asked the Task Force to present a draft revised ISA on the basis of accounting and auditing experts being excluded, but to note how the draft would be affected if they were to be included. Tax experts are to be included as "experts" for the purpose of the revised ISA.</p>