ISSUES PAPER
ISA 620 (Revised and Redrafted) – Experts

Overview
Respondents were generally supportive of the revised and redrafted ISA. Many proposed further improvements in addition to providing input on the questions posed in the Explanatory Memorandum to ED-ISA 620. The most significant issues raised relate to the following 6 matters, each of which is discussed in more detail below:

A. **Definitions**
   - **Definitions**: The appropriateness of the definitions, including their relationship to definitions in other standards (e.g., the IFAC Code, proposed ISQC 1 (Redrafted), proposed ISA 220 (Redrafted), and ISA 620 (Revised and Redrafted)).

B. **Management’s experts**
   - **Management’s experts**: The extent and location of requirements and application material regarding the auditor’s use of the work of management’s experts.

C. **Determining the Need for an Expert**
   - **Determining the Need for an Expert**: The strength of the requirement for the auditor to decide whether it is necessary to use the work of an expert.

D. **Agreement with the Expert**
   - **Agreement with the Expert**: Divided opinions among respondents about whether there should always be a written agreement between the auditor and the auditor’s expert.

E. **Assumptions, Methods and Data**
   - **Assumptions, Methods and Data**: Whether the work of an expert will always include assumptions, methods and data all of which will be significant to the auditor’s use of that work.

F. **Documentation**
   - **Documentation**: Whether ISA 620 (Revised and Redrafted) should contain specific documentation requirements.

A. Definitions

A1. The definitions in ISA 620 (Revised and Redrafted), and related definitions in the IFAC Code, proposed ISQC 1 (Redrafted), and proposed ISA 220 (Redrafted), determine to whom those documents apply. The vast majority of respondents supported the concepts underlying the definitions, although some suggestions were made for clarification in wording, presentation etc., a number of which have been adopted. A number of respondents also requested further clarification of the relationship between the IFAC Code, proposed ISQC 1 (Redrafted), proposed ISA 220 (Redrafted), and ISA 620 (Revised and Redrafted).

A2. Certain of the definitions relevant to this ISA have been subject to considerable debate as ED-ISA 620 was developed. Of the three significant issues noted in the Explanatory Memorandum accompanying the ED-ISA 620, two related to definitions. One reason these definitions have been contentious is that they contain distinctions that may require the exercise of considerable professional judgment to ensure they are applied appropriately in

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1 The International Federation of Accountants’ Code of Ethics for Professional Accountants.
2 Proposed ISQC 1 (Redrafted), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”
3 Proposed ISA 220 (Redrafted), “Quality Control for an Audit of Financial Statements.”
particular circumstances of each audit. These definitions require the auditor to determine whether:

- An auditor’s expert’s expertise is in accounting/auditing, or another field. This distinction is embedded in the definition of “auditor’s expert.”

- An auditor’s expert is a partner or staff of the firm, or engaged by the firm. This distinction is embedded in the definition of “engagement team,” and flows through to the definitions of “auditor’s internal expert” and “auditor’s external expert.”

- An auditor’s expert performs audit procedures on the engagement, or is consulted only. This distinction is embedded in the definition of “engagement team.”

A3. These decisions do not involve “bright line” distinctions. Yet the implications of applying these definitions can have a significant effect in practice because they determine which requirements will apply to the work of an auditor’s expert. The significance of applying these distinctions to any particular auditor’s expert can be seen in the two tables in the Appendix to this Issues Paper. Each distinction is discussed further below.

Expertise in Accounting and Auditing

A4. The definition of auditor’s expert excludes experts in accounting or auditing. Of the 37 respondents who commented on this aspect of ED-ISA 620:

- 26 offered support, some of whom made suggestions for clarification in the ISA, particularly with respect to tax experts (now included in paragraph A1.1).

- 3 were opposed to any distinction between experts based on their accounting or auditing expertise.

- 1 suggested excluding only internal, accounting and auditing experts.

- 1 suggested excluding only internal, accounting experts.

- 6 offered comment without clearly offering support or otherwise.

A5. The Task Force is firmly of the opinion that the ISA 620 (Revised and Redrafted) must distinguish expertise in accounting or auditing from other expertise. If accounting and auditing experts were not specifically excluded from the definition of auditor’s expert, then all the auditor’s professional staff performing audit procedures on an engagement (i.e., the entire engagement team) would need to be considered experts. This would be contrary to the intent of ISA 620 (Revised and Redrafted), which is to introduce special provisions for work used by the auditor that is performed by a person who has expertise in a field that is different from that of the auditor. Auditors can always be expected to be experts in

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4  ACAG, ACCA, AICPA, AUASB, Basel, BDO, CICA, CIPFA, DTT, EYG, FEE, Florida, GAO, HKICPA, ICAIre, ICAS, ICICE, IdW, IEC, IRBA, JICPA, KPMG, NZICA, PwC, SAICA, and SNAO.

5  AIA, IIA, IAIS.

6  WAO.

7  ICAEW.

8  AAA, APB, Basel, CEBS, CNCC-CSOEC, and EC.
accounting and auditing, therefore using expertise in accounting and auditing as the distinguishing factor seems to be appropriate.

A6. A number of respondents argued that experts in specialized areas of accounting or auditing should be considered experts for the purpose of ISA 620 (Revised and Redrafted), as some or all of the requirements and guidance in the ISA should apply to them.

A7. The Task Force recognizes that the work of experts in specialized areas of accounting or auditing will need to be used on many audits. However, as the IAASB indicated early in the project, it is not practicable to attempt to draw a clear distinction between expertise in a specialized area of accounting or auditing, and the “ordinary” expertise that should be possessed by the engagement team. For example, it is common for areas of specialization to become absorbed into the mainstream of accounting or auditing expertise, sometimes within a relatively short time (e.g., all expertise with respect to CAATs was, at one time, considered a specialist area, but is not now). Having read the respondents’ comments on this matter, the Task Force is not persuaded that experts in specialized areas of accounting or auditing should be considered experts for the purpose of ISA 620 (Revised and Redrafted).

A8. Nonetheless, there is no doubt that the work of experts in specialized areas of accounting or auditing will need to be used on many audits, and in these cases considerations similar to those in ISA 620 (Revised and Redrafted) will be applicable to a greater or lesser extent depending on the circumstances. Footnote 1 to the draft ISA has, therefore, been amended to this effect. This footnote may be particularly relevant when the auditor’s expert is external, and is consulted (rather than performs audit procedures) because such an expert is not directly subject to proposed ISQC 1 (Redrafted) or ISA 200 (Revised and Redrafted)9 (see box D2 in the Appendix to this Issues Paper).

Dual Expertise

A9. A number of respondents noted that the exposure draft was not clear with respect to auditor’s experts who possesses expertise both in accounting/auditing, and in another field.10 In response, the Task Force has amended the definitions from “An expert (in a field other than accounting or auditing) employed or engaged by the auditor to assist the auditor ...” to “An expert employed or engaged by the auditor whose work in a field other than accounting or auditing is used by the auditor to assist the auditor ...”. This makes it clearer that ISA 620 (Revised and Redrafted) deals with the use of expertise other than accounting or auditing expertise (regardless of whether than expert happens to also possess the latter).

Internal and External Experts

A10. The definition of “engagement team” does not appear in ISA 620 (Revised and Redrafted). It is in proposed ISQC 1 (Redrafted), ISA 200 (Revised and Redrafted), and the IFAC Code. The most contentious element of that definition has been whether it should include

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9 ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

10 AAA, ACCA, BDO, IAIS, and IdW.
external experts, and so the ISA 620 Task Force has been liaising, and will continue to liaise, with the IESBA Independence Task Force (ITF) and staff regarding the definition. Wording currently being considered for this is: “Partners and staff, and any individuals engaged by the firm, who perform audit procedures on the engagement. This excludes auditor’s external experts.”

A11. The Explanatory Memorandum to ED-ISA 620 noted the background to the definition of engagement team, and stated that:

The IAASB believes it is appropriate to exclude an auditor’s external expert from the definition of “engagement team” in [proposed] ISA 220 (Redrafted) and [proposed] ISQC 1 (Redrafted) because it would be impractical to expect auditor’s external experts to be subject to all the quality control policies and procedures the firm applies with respect to its partners and staff. Similarly, the IAASB believes it would be impractical to expect auditor’s external experts to be subject to all the independence requirements of the [proposed] Code, which is written for application to accountants and accounting firms. If auditor’s external experts were included in the definition, the IAASB considers that this would create a significant barrier to the necessary use of experts in appropriate cases.

A12. Most comments on the definition of engagement team were received in letters from respondents on ED-ISQC 1/ISA 220, although some additional comments were received in letters on ED-ISA 620. Of the 13 respondents who commented on whether external experts should be excluded from the definition:

- 9 offered support for the exclusion.
- 1 noted that “We believe it is important to include in the definition … external experts when they are part of the team. This will be a question of fact.” No substantive reasons were given for this belief, and the rationale provided by the IAASB in the Explanatory Memorandum was not commented on.
- 1 noted a preference for including external experts in the definition but did not offer a reason.
- 2 offered comment without clearly offering support or otherwise.

A13. One respondent (ACCA) noted potential difficulties with the terms ‘engaged by’ and ‘employed by’, commenting that “each term could be regarded as encompassing the other and the terms may pose translation problems. Given also that ‘temporary staff’ are mentioned in paragraph (now 6(d)(ii)) we suggest that the definitions section (or the scope

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11 ACCA, APESB, CICA, CGA, CPAB, DTT, FEE, GTI, IdW, HKICPA, and NIVRA.
12 ACCA, APB, IRBA, and KPMG
13 CICA, CGA, DTT, FEE, GTI, IdW, IRBA, KPMG, and HKIPA.
14 CPAB.
15 APESB.
16 ACCA, and NIVRA.
section) should do more to clarify the precise application of proposed ISA 620.” The Task Force is of the view that further clarification is not necessary albeit that, in some cases, professional judgment will be needed in distinguishing between experts who are employed and those who are engaged. A “bright line” is not possible due to, e.g., different classifications of individuals as either employees or “contractors” in employment laws and tax laws within and across jurisdictions.

“Performs Audit Procedures on the Engagement”

A14. A small number of respondents made comments that may indicate a potential difficulty in determining whether some individuals satisfy the following criteria in the definition of engagement team: “perform audit procedures on the engagement,” or whether they are merely being consulted. For example, the APB mentioned “It can be argued that the tax specialist is being involved to assist with auditing the tax numbers and that therefore the expertise relates to an aspect of auditing.” And CEBS asks “For example, if for a particular audit an auditor with expertise on sampling is needed, would this ‘auditing expert’ be covered by ISA 220 paragraph 18 (which deals with consultation) or could this ‘auditing expert’ be considered as a member of the engagement team?”

A15. The Task Force is of the view that determining whether an expert “performs audit procedures on the engagement” or is simply “consulted” will, in some cases, depend upon judgment regarding, for example:

- The nature of the work performed by the expert: the more audit-like the work is, the more likely it is that the individual is performing audit work rather than being consulted. However, there often will be no “bright line” distinctions since work done by the auditor’s expert on assumptions, methodology and data often will be part of that expert’s expertise even though such procedures may be similar to (or even the same as) those that would be performed by the auditor if he/she possessed the required expertise.

- The extent of the work performed by the individual: the less extensive the work is, the more likely it is that the individual is being consulted rather than performing audit work.

- The nature and extent of the involvement of (other) members of the engagement team in the expert’s work.

A16. The notion of consultation has been included in ISQC 1 and ISA 220 since they were issued in 2004, and the distinction between performing audit procedures and consultation has been embedded in the definitions “engagement team” and “assurance team” since the IFAC Code was revised in 2005. While in some cases consideration of this concept will require the exercise of professional judgment rather than being a “bright line,” respondents have not indicated that this is a major concern, nor one that has caused any implementation difficulties in practice. Also, no suggestions have been made as to a replacement concept. The Task Force is satisfied that this distinction remains appropriate.

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17 APB, Basel, CEBS, FEE and IdW.
Matters for IAASB Consideration

Q1. Does the IAASB agree that the following distinctions in the definitions are appropriate in determining how the Code, proposed ISQC 1 (Redrafted), proposed ISA 220 (Redrafted) and ISA 620 (Revised and Redrafted) apply in relation to auditor’s experts – whether the auditor’s expert:

- has expertise is in accounting/auditing, or another field;
- is internal or external; and
- performs audit procedures on the engagement, or is consulted only.

Q2. A number of respondents had difficulty understanding how the Code, proposed ISQC 1 (Redrafted), proposed ISA 220 (Redrafted) and ISA 620 (Revised and Redrafted) interrelate. Would the IAASB like the table in the Appendix to this Issues Paper to be included in ISA 620 (Revised and Redrafted) to assist in this respect?

B. Management’s Experts

B1. Extant ISA 620 deals with both auditor’s experts and management’s experts. In developing the exposure draft, the IAASB decided to move consideration of management’s experts to ISA 500. The vast majority of respondents supported this, albeit with some caveats in a large number of cases. In particular, a quarter of respondents who commented on this matter thought that more guidance, and in some cases requirements, are needed in ISA 500 (or elsewhere) regarding various aspects of using the work of a management’s expert. The Task Force agrees that ISA 500 should be enhanced, but is conscious of the need not to “swamp” ISA 500 with considerations that relate to management’s experts. The Task Force believes the revised draft conforming amendments to ISA 500 strike an appropriate balance.

B2. The Explanatory Memorandum specially sought respondents’ views on the following:

Extant ISA 620 deals with both an auditor’s expert (i.e., an expert employed or engaged by the auditor) and a management’s expert (i.e., an expert employed or engaged by the entity). However, the auditor’s use of work performed by these two types of expert fundamentally differs and, although some of the related audit considerations are similar, the IAASB considers that it is necessary to draw a clearer distinction between the two. [Proposed] ISA 620 (Revised and Redrafted) now deals exclusively with considerations relevant to using the work of an auditor’s expert. Material dealing with the work of a management’s expert is presented in the conforming amendments to [proposed] ISA 500 (Redrafted).

B3. Of the 39 respondents who commented on this matter:

- 18 offered unqualified support for dealing with management’s experts separately in ISA 500.18

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18 ACAG, AIA, AUASB, CICA, Florida, GAO, GTI, HKICPA, IAA, ICAS, ICPAK, IEC, IRBA, NZICA, SAICA, Saskatchewan, SNAO, and WAO.
10 offered support, but thought that more guidance, and in some cases requirements, are needed in proposed ISA 500 (Redrafted) (or elsewhere) regarding various aspects of using the work of a management’s expert.19

8 offered support, but with some other qualification.20

3 were opposed to dealing with management’s experts separately in proposed ISA 500 (Redrafted), primarily because of the duplication of material that this requires (which is addressed below), or a perceived lack of requirements and guidance in proposed ISA 500 (Redrafted) to deal with management’s experts (also addressed below).21

B4. On the basis of the comments received, the Task Force concluded that it would be appropriate to include further requirements and guidance in the ISAs regarding the use of management’s experts. The Task Force reviewed extant ISA 620 with respect to management’s experts, and ISA 620 (Revised and Redrafted), to identify what new requirements and guidance is needed. The Task Force concluded that:

(a) Two new requirements, with accompanying guidance, are appropriate:
   (i) The equivalent of ISA 620 (Revised and Redrafted) paragraph 10, re: obtaining an understanding of the work of a management’s expert; and
   (ii) The equivalent of ISA 620 (Revised and Redrafted) paragraph 12, re: evaluating the adequacy of a management’s expert’s findings.

(b) New guidance on the following is appropriate:
   (i) Evaluating the agreement between the entity and the expert (a new requirement on this is not necessary as it falls under the requirement to evaluate the adequacy of the management’s expert’s findings); and
   (ii) Factors affecting the nature, timing and extent of audit procedures with respect to a management’s expert.

B5. The issue then arises as to where these requirements and guidance should be placed. If the material were placed, in full, in proposed ISA 500 (Redrafted), the amount of common text between ISA 620 (Revised and Redrafted) and ISA 500 (Redrafted), and therefore the repetition/redundancy of text, increases. The Task Force considered the following options:

(a) Reintegrating ISAs 620 (Revised and Redrafted) and 500 (Redrafted), perhaps with one common part, plus two separate parts with text for each of the auditor’s expert and a management’s expert;

(b) Expanding the text relating to a management’s expert in ISA 500 (Redrafted). In considering this option, the Task Force was conscious of the danger of “swamping” ISA 500 (Redrafted) with experts-related text to the extent that ISA 500 (Redrafted) would be left unbalanced; and

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19 ACCA, AICPA, APB, CIPFA, DTT, EYG, FEE, IAIS, IBR-IRE, and KPMG.
20 AAA (tacit), Basel, BDO, CEBS, ICAIre, IdW, JICPA (tacit), and PwC.
21 AAA, CPAB, and ICAEW.
(c) Creating a new ISA dealing with management’s experts.

B6. The Task Force recommends the approach in the attached draft conforming amendments to ISA 500 (Redrafted), which:

- Retains the clear distinction between ISA 620 (Revised and Redrafted) and ISA 500 (Redrafted). This was supported by the vast majority of respondents, and the Task Force considers it to be correct given that the work of a management’s expert has been performed under the direction and supervision of management and is, therefore, is of a fundamentally different nature from work performed under the direction and supervision of the auditor.

- Incorporates the two additional requirements mentioned in B4(a) above into paragraph 12(c) of ISA 500 (Redrafted); and

- Includes some of the associated guidance in the application material by way of reference to ISA 620 (Revised and Redrafted) (see paragraphs A30k. and A30l. of ISA 500 (Redrafted)). Using references to ISA 620 (Revised and Redrafted) in ISA 500 (Redrafted) reduces both the volume of text in ISA 500 (Redrafted) and the redundancy of text between ISA 620 (Revised and Redrafted) and ISA 500 (Redrafted).

The Task Force also recommends that if this approach is acceptable, the Task Force be asked to consider for the next meeting, whether the approach of including references to ISA 620 (Revised and Redrafted) in the application material of ISA 500 (Redrafted) can be used to further reduce the volume of text in ISA 500 (Redrafted) and the redundancy of text between ISA 620 (Revised and Redrafted) and ISA 500 (Redrafted).

**Matters for IAASB Consideration**

Q2. Does the IAASB agree with the need for additional requirements and guidance on management’s experts in relation to: (a) obtaining an understanding of the work of a management’s expert, and (b) evaluating the adequacy of that work?

Q3. Does the IAASB agree with including the additional requirements and guidance in ISA 500 (Redrafted), and using references to ISA 620 (Revised and Redrafted) in the application material?

Q4. Does the IAASB agree that the Task Force should be asked to consider whether including references to ISA 620 (Revised and Redrafted) in the application material of ISA 500 (Redrafted) can be used to further reduce the volume of text in ISA 500 (Redrafted) and the redundancy of text between ISA 620 (Revised and Redrafted) and ISA 500 (Redrafted)?

**C. Determining the Need for an Expert**

C1. One respondent\(^{22}\) noted:

\(^{22}\) IAIS
We do not believe that the guidance as to when an expert is needed is worded strongly enough to require the use of experts in all cases where, as regulators, we would expect experts to be involved. We would agree in many cases that judgement is required when considering whether an expert is needed, but we believe that there are cases where the auditor would need to rebut a presumption that an expert is required. …

Insurance companies and complex financial instruments were noted as examples. It was also suggested that “An important consideration for the auditor is that when management needs an expert then it is more than likely that the auditor will as well, and the wording could be strengthened to this effect.”

C2. The suggestion of a rebuttable presumption for some cases was considered by the Task Force; however there seems no reasonable way to identify those situations in which a rebuttable presumption would be appropriate from those in which it would not. This is because whether or not an auditor’s expert is needed depends on a large number of variables and is, therefore, very much dependant on the circumstances of the engagement. Some of the variables noted in the ISA are:

- The materiality of the matter, and the risks of material misstatement.
- The nature and complexity of the matter.
- The expected nature of procedures to respond to identified risks.
- The availability of alternative sources of audit evidence.

C3. The Task Force considered the specific suggestion of strengthening paragraph 7 when management needs an expert, and considered in particular whether a rebuttable presumption should be imposed whenever this is the case, but did not believe this to be appropriate. Whether management has used an expert may indicate a need for the auditor to use the work of an expert (as acknowledged in the first bullet of paragraph A5), however, as discussed by the IAASB on a number of occasions, it would not be reasonable to assume that this will nearly always be the case; and certainly the reverse is not true, i.e., where management have not used an expert, this of itself is no guide as to whether the auditor should or should not use an expert – the issue is the auditor’s expertise in the relevant field, not management’s expertise. As noted in paragraph A6, when management has used an expert, the auditor’s decision on whether to use an auditor’s expert may be influenced by such factors as:

- The nature, scope and objectives of the management’s expert’s work.
- Whether the management’s expert is employed by the entity, or is a party engaged by it to provide relevant services.
- The extent to which management can exercise control or influence over the work of the management’s expert.
- The management’s expert’s capabilities and competence.
• Whether the management’s expert is subject to technical performance standards or other professional or industry requirements
• Any controls within the entity over the management’s expert’s work.

Given this large number of factors, it would not be reasonable to impose a rebuttable presumption simply because management uses an expert.

C4. Another possibility the Task Force identified for strengthening paragraph 7 was to add a requirement that where the management uses an expert, the auditor’s reasons for not also using an expert need to be documented where this is the case. This alternative, which was discussed by the IAASB as ED-ISA 620 was developed, was considered to be tantamount to a rebuttable presumption, which would add an unnecessary processes and be too rules-based.

Matter for IAASB Consideration

Q5. Does the IAASB agree that paragraph 7 is suitably worded, and in particular that a rebuttable presumption should not be introduced, and that no specific requirement should be introduced for when management needs an expert?

D. Agreement with the Expert

D1. Paragraph 11, supported by paragraphs A20-A22, requires the auditor to agree with the auditor’s expert on certain matters, and requires that agreement to be “in writing when appropriate.”

D2. The major objections to this paragraph relate to whether, and if so to what extent, the agreement should be required to be in writing. These objections are of two quite different types:

(a) 6 respondents think that paragraph 11 should be tightened to require the agreement to be in writing in all or certain circumstances, e.g., that “in writing when appropriate” should be changed to be “in writing in X or Y circumstances”23
(b) 6 respondents think that because they are conditional, the words “in writing when appropriate” should be removed from the requirements section, and whether or not an agreement is to be in writing should be dealt with in the application material only.24

D3. The APB believes that the agreement should be in writing in all circumstances, and states that “As we believe that an expert will only be involved in work of significance in the context of the audit, the guidance in paragraph A21, that the more significant the work of the auditor’s expert the more likely it is that the agreement will need to be in writing, is not helpful.” The premise upon which the APB’s objection is founded seems to be contrary to one of the main principles underlying ISA 620 (Revised and Redrafted), i.e., the relative significance of an auditor’s expert’s work to the auditor can vary as the

23 APB, CPAB, EC, IRBA, ICANZ, and PwC.
24 FEE, GAO, GTI, IBRIRE, ICJCE, and IdW.
engagement circumstances vary. This principle has been accepted by nearly all other respondents; and the Task Force continues to believe that reflecting this principle in paragraph 11 is appropriate.

D4. CPAB, IRBA, and ICANZ state their belief that certain matters (e.g., nature, scope and objectives of the auditor’s expert’s work) must be agreed in writing, or that a written agreement must always exist in certain circumstances (e.g., when the auditor’s expert is external). These three respondents do not provide a reason for their belief. PwC also suggest changing paragraph 11 to require a written agreement when the auditor’s expert is external stating that there is a perceived lack of clarity with the current requirement.

D5. The EC notes that written agreements “become tools providing certainty to all parties” and recommends what it suggests is a mirroring of proposed ISA 210 (Redrafted) through a requirement for “written contractual agreements between the auditor and the [external] expert.” The most recent wording of proposed ISA 210 (Redrafted) is:

The auditor shall agree the terms of the audit engagement with management or those charged with governance… Subject to paragraph 10, the agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement.

D6. The IdW, who argue for removing “in writing when appropriate” from the requirement in paragraph 11, cite the following application material of ISA 600 (Revised and Redrafted) as the appropriate text upon which to build:

The component auditor’s communication with the group engagement team often takes the form of a memorandum or report of work performed. Communication between the group engagement team and the component auditor, however, may not necessarily be in writing. For example, the group engagement team may visit the component auditor to discuss identified significant risks or review relevant parts of the component auditor’s audit documentation. Nevertheless, the documentation requirements of this and other ISAs apply.

D7. While parallel drafting is appropriate for parallel situations, the situation with which paragraph 11 deals (the auditor’s agreement with an auditor’s expert) is not directly parallel with either of the above situations:

- Proposed ISA 210 (Redrafted) differs significantly in that the service being agreed to is an audit, which is: (a) a service in which the engaged party (the auditor) reports publicly; and (b) a highly regulated and consistent service. This differs from engaging an expert, where: (a) the engaged party (the expert) reports only to the engaging party (the auditor); and (b) the possible range of expert services, and circumstances in which they are used, varies widely.

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26 ISA 600 (Revised and Redrafted), “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors),” paragraph A58.
• ISA 600 (Revised and Redrafted) differs significantly in that the two parties making the agreement share the same expertise, i.e., they are both auditors.

D8. There is no general consensus amongst respondents about whether a change is needed and if so, what that change should be. Nor is the Task Force persuaded by the arguments for change presented by respondents, which have been previously debated by the IAASB. The Task Force therefore remains of the view that the requirement in paragraph 11, and the related application material in paragraphs A20-A22, as they appeared in the exposure draft (with some amendments to respond to other comments), remain appropriate.

Matter for IAASB Consideration
Q6. Does the IAASB agree that it is correct for paragraph 11, supported by paragraphs A20-A22, to continue to require the agreement between the auditor and the auditor’s expert to be “in writing when appropriate.”

E. Assumptions, Methods and Data
E1. The requirement in paragraph 12(b) with respect to an auditor’s expert’s assumptions and methods, and source data, are prefaced by the phrase “if significant to the auditor’s use of that expert’s work.” Six respondents challenged the use of this phrase.27

E2. The APB noted that “we believe that if the auditor has determined that it is necessary to use the work of an expert to obtain audit evidence, that work will always be significant in the context of the audit.” The objection of IAIS is based on a similar premise. As discussed in paragraph D3 above, this position seems inconsistent with an underlying principle of the ISA. The APB does, however, offer a possible alternative to “significant,” viz., “relevant.”

E3. ISA 620 (Revised and Redrafted) is drafted on the basis that an auditor may encounter a wide range of circumstances regarding the use of an auditor’s expert’s work, ranging from a brief consultation on a narrowly defined issue to much more wide ranging matters (e.g., actuarial liabilities of a life insurance enterprise). A brief consultation with a legal expert on a regulatory matter, for example, may not involve any data or assumptions (i.e., the legal expert would be provided with the facts and circumstances of the matter and provide his or her interpretation of the law or regulation, given the facts presented). The Task Force continues to believe, therefore, that for paragraph 12(b)(i) and (ii) [now 12(b) and 12(c)] to come in to play, relevance alone is not sufficient. The auditor’s expert’s assumptions and methods/source data need to be both relevant and significant, and since the concept of relevance is subsumed in the concept of significant (but not vice versa) the term significant is the more appropriate term.

Matter for IAASB Consideration
Q7. Does the IAASB agree with the continued use of the word “significant” in paragraph 12(b) [and new paragraph 12(c)]?

27 APB, Basel, CEBS, CPAB, GTI, and IAIS.
F. Documentation

F1. Basel, CPAB, EC, and IAIS have called for additional requirement(s) regarding documentation.

F2. CPAB believe this is a “critical point that needs to be addressed” and have included a list of 9 items from the CICA Handbook’s equivalent standard, of which they think at least 7 should be included in ISA 620 (Revised and Redrafted). They make this suggestion based on the deficiencies in this area in practice, “especially in situations when their work is an integral part of the audit evidence.” The 7 items are:

   (a) the need to use an expert, and reasons for selecting the particular expert;
   (b) the expert's role in the engagement, and the reason for choosing that approach;
   (c) important communications with the expert, especially concerning the nature of the relationship between the practitioner and the expert if such communications are not in writing;
   (d) information concerning the expert's expertise (including qualifications), competence and integrity;
   (e) information concerning the expert's objectivity;
   (f) a description of the expert's work;
   (g) notes concerning the practitioner's work on the expert's work and findings, including any review the practitioner has done of the expert's working papers;
   (h) the expert's report and other findings, or relevant parts thereof; and
   (i) the practitioner's assessment of the relevance of the expert's report or other findings to the objective of the engagement, and to the practitioner's conclusion on the subject matter.

F3. The EC have included a list of 3 matters they believe should be documented “to allow the verification of the use of an external expert by the auditor.” The 3 items are:

   (a) any written agreement(s) and representation(s) between the auditor and the external expert;
   (b) the conclusions or findings communicated by the external expert to the auditor; and
   (c) the auditor's conclusions on the external expert's objectivity and work.

F4. The IAIS recommend, to the extent they are not included elsewhere in the ISA, the following 6 points:

   (a) the need for use of an expert and the reasons for selecting the expert;
   (b) the expert’s role in the engagement and the reasons for that approach;
   (c) important communications, including the nature of the relationship;
   (d) information concerning the expert’s qualifications, competence, integrity, objectivity;
(e) a description of the expert’s work and notes on findings and review by the auditor; and

(f) the expert’s report and other findings, including the auditor’s assessment of the report or other findings relevant to

J5 The Task Force has considered the above items, and is of the view that they would already be required to be documented if they are significant under the general requirements of ISA 230. It recommends, therefore, that no specific documentation requirements be added to the ISA.

**Matter for IAASB Consideration**

Q8. Does the IAASB agree that no specific documentation requirements be added to the ISA?
Appendix

Applicability of the Code, proposed ISQC 1 (Redrafted), proposed ISA 220 (Redrafted), and ISA 620 (Revised and Redrafted)

Field of expertise used is other than accounting or auditing:

<table>
<thead>
<tr>
<th>1. Internal</th>
<th>2. External</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Performs audit procedures on the engagement</td>
<td>• Member of the ET (and, therefore, the AT).</td>
</tr>
<tr>
<td>• Subject to the Code, proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted).</td>
<td>• Not a member of the ET or the AT.</td>
</tr>
<tr>
<td>• ISA 620 (Revised and Redrafted) applies.</td>
<td>• Not subject to the Code (but ISA 620 (Revised and Redrafted) requires evaluation of objectivity).</td>
</tr>
<tr>
<td>B. Consulted only</td>
<td>• Not subject to proposed ISQC 1 (Redrafted) or proposed ISA 220 (Revised and Redrafted) (but ISA 620 (Redrafted) places emphasis on certain aspects of the relationship when the expert is external).</td>
</tr>
<tr>
<td>• Member of the AT (but not the ET).</td>
<td>• ISA 620 (Revised and Redrafted) applies.</td>
</tr>
<tr>
<td>• Subject to the Code and proposed ISQC 1 (Redrafted).</td>
<td>• ISA 620 (Revised and Redrafted) applies.</td>
</tr>
<tr>
<td>• Not subject to proposed ISA 220 (Redrafted) (but the paragraphs therein relating to consultation apply).</td>
<td>• ISA 620 (Revised and Redrafted) applies.</td>
</tr>
<tr>
<td>• ISA 620 (Revised and Redrafted) applies.</td>
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</tr>
</tbody>
</table>

Field of expertise used is accounting or auditing:

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<thead>
<tr>
<th>1. Internal</th>
<th>2. External</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Performs audit procedures on the engagement</td>
<td>• Member of the ET (and, therefore, the AT).</td>
</tr>
<tr>
<td>• Subject to the Code, proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted).</td>
<td>• Member of the ET (and, therefore, the AT).</td>
</tr>
<tr>
<td>• ISA 620 (Revised and Redrafted) does not apply (but may assist in application of proposed ISQC 1 (Redrafted) and proposed ISA 220</td>
<td>• Subject to the Code, proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted).</td>
</tr>
<tr>
<td>• ISA 620 (Revised and Redrafted) does not apply (but may assist in application of proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted)).</td>
<td>• ISA 620 (Revised and Redrafted) does not apply (but may assist in application of proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted)).</td>
</tr>
<tr>
<td>D. Consulted only</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>---</td>
</tr>
<tr>
<td>▪ Member of the AT (but not the ET).</td>
<td>▪ Not a member of the ET or the AT</td>
</tr>
<tr>
<td>▪ Subject to the Code and proposed ISQC 1 (Redrafted).</td>
<td>▪ Not subject to the Code.</td>
</tr>
<tr>
<td>▪ Not subject to proposed ISA 220 (Redrafted) (but the paragraphs therein relating to consultation apply).</td>
<td>▪ Not subject to proposed ISQC 1 (Redrafted) or proposed ISA 220 (Redrafted) (but the paragraphs therein relating to consultation apply).</td>
</tr>
<tr>
<td>▪ ISA 620 (Revised and Redrafted) does not apply (but may assist in application of the consultation paragraphs of proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted)).</td>
<td>▪ ISA 620 (Revised and Redrafted) does not apply (but may assist in application of the consultation paragraphs of proposed ISQC 1 (Redrafted) and proposed ISA 220 (Redrafted)).</td>
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</tbody>
</table>