



**International Federation of Accountants**

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**Agenda Item**  
**12**

**Committee:** IAASB  
**Meeting Location:** Brussels  
**Meeting Date:** December 8-11, 2008

**Specialists in accounting or auditing**

**Objective of Agenda Item**

1. To consider whether minor amendments are warranted to ISA 220 (Redrafted), “Quality Control for an Audit of Financial Statements” and ISA 620 (Revised and Redrafted), “Using the Work of an Auditor’s Expert.” The proposals arose out of the IAASB CAG Chairman’s review for the purpose of confirming to the PIOB that due process, in so far as it concerns the CAG’s advice to IAASB, had been followed in the development of these two ISAs. The CAG Chairman has confirmed to the PIOB that the point itself does not affect the correctness of the due process followed by IAASB.

**Issue**

2. The IAASB approved ISA 220 (Redrafted) and ISA 620 (Revised and Redrafted) at its September (Miami) meeting. These ISAs contain the definitions of engagement team and auditor’s expert respectively.
3. A question has since arisen about:
  - (a) Whether an external specialist in accounting or auditing, who is engaged by the firm, is a member of the engagement team; and
  - (b) If it makes any difference whether that person is consulted or is more involved.

**Discussion**

4. ISA 620.06(a) defines an auditor’s expert as: “*An individual or organization possessing expertise in a field other than accounting or auditing...*”<sup>1</sup> Because the expertise of the person in question is in accounting or auditing, he/she is excluded from this definition. Such a person is, therefore, not an auditor’s expert, and ISA 620 does not apply.

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<sup>1</sup> The full definition is: “*An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor’s expert may be either an auditor’s internal expert (who is a partner or staff, including temporary staff, of the auditor’s firm or a network firm), or an auditor’s external expert.*”

5. ISA 220.07(d) defines engagement team as “*All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm, who perform audit procedures on the engagement. This excludes an auditor’s external expert engaged by the firm or a network firm.*”
6. The first part of the definition of engagement team (“All partners and staff performing the engagement”) does not apply because the person is external, i.e., not a partner or staff member.
7. The final sentence (“This excludes an auditor’s external expert engaged by the firm or a network firm”) has no bearing since the person is not an auditor’s expert.
8. So the question becomes whether the person is in the category of “any individuals engaged by the firm or a network firm, who perform audit procedures on the engagement.” The person is an “individual engaged by the firm or a network firm,” so if that person
  - (a) Performs audit procedures, then he/she is a member of the engagement team.
  - (b) Is merely consulted, then he/she is not a member of the engagement team.
9. While this answer can be found in the definitions of auditor’s expert and engagement team, the following text was included in ISA 220 (Redrafted) to assist readers: “*An engagement team also includes a member using expertise in a specialized area of accounting or auditing, whether engaged or employed by the firm, if any, who performs audit procedures on the engagement*” (paragraph A10).
10. Given the likely increase in the use of accounting or auditing specialist, it has been suggested by the Chairman of the IAASB that the following amendments would help make the situation clearer, in particular as regards consulted specialists (other paragraphs referred to below are included in the Appendix for reference):

**ISA 220 (Redrafted), paragraph A10**

An engagement team ~~also~~ includes a ~~member~~ person using expertise in a specialized area of accounting or auditing, whether engaged or employed by the firm, if any, who performs audit procedures on the engagement. When a person with such expertise is consulted by the engagement team, but does not perform audit procedures, paragraph 18, and paragraphs A21 and A22 are relevant.

**ISA 620 (Revised and Redrafted) paragraph 2(a)**

This ISA does not deal with:

- (a) Situations where the engagement team includes a member, or consults an individual or organization, with expertise in a specialized area of accounting or auditing, which ~~is~~ are dealt with in ISA 220;<sup>footnote</sup>

Footnote: ISA 220 (Redrafted), “Quality Control for an Audit of Financial Statements,” paragraph A10, A20- A22.

**Action Requested**

11. The IAASB is asked to decide whether the minor amendments noted above are warranted, and if so, to approve them.

## Appendix

### Extracts from ISA 220 (Redrafted)

18. The engagement partner shall:
- (a) Take responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters;
  - (b) Be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;
  - (c) Be satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and
  - (d) Determine that conclusions resulting from such consultations have been implemented.  
(Ref: Para. A21-A22)

#### *Considerations Relevant Where a Member of the Engagement Team with Expertise in a Specialized Area of Accounting or Auditing Is Used*

- A20. Where a member of the engagement team with expertise in a specialized area of accounting or auditing is used, direction, supervision and review of that engagement team member's work may include matters such as:
- Agreeing with that member the nature, scope and objectives of that member's work; and the respective roles of, and the nature, timing and extent of communication between that member and other members of the engagement team.
  - Evaluating the adequacy of that member's work, including the relevance and reasonableness of that member's findings or conclusions, and their consistency with other audit evidence.

#### *Consultation*

- A21. Effective consultation on significant technical, ethical, and other matters within the firm or, where applicable, outside the firm can be achieved when those consulted:
- Are given all the relevant facts that will enable them to provide informed advice; and
  - Have appropriate knowledge, seniority and experience.
- A22. It may be appropriate for the engagement team to consult outside the firm, for example, where the firm lacks appropriate internal resources. They may take advantage of advisory services provided by other firms, professional and regulatory bodies, or commercial organizations that provide relevant quality control services.

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