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Dear Mr Sylph

**Proposed International Standard on Auditing 620, Using the Work of an Auditor's Expert (ISA 620)**

The Committee of European Banking Supervisors welcomes the opportunity to comment on the Proposed International Standard on Auditing 620, Using the Work of an Auditor's Expert (ISA 620).

Through their opinions on annual accounts and annual reports, external auditors constitute an integral part of the public oversight model and contribute to the financial stability of the market. As banking supervisors we therefore have an interest in ensuring that auditing standards, which are the basis for audit work, are of a high quality and are clear and capable of consistent application.

We appreciate the efforts of the International Auditing and Assurance Standards Board (IAASB) to revise and clarify the auditing standard. However, we have a concern about whether or not there is appropriate coverage of persons or organizations possessing expertise in accounting or auditing within the ISAs and their role in an audit (e.g. would such a person be part of the engagement team?). Excluding them from the scope of ISA 620 might not fully reflect current practice. Similar considerations and procedures relevant to using the work of an auditor's expert could be applied to such persons having specialized expertise in accounting.

We provide more detail on this point, and other comments in response to the questions posed by the IAASB, in the attached appendix.

Our comments were coordinated by our Expert Group on Financial Information (EGFI), and especially by its Subgroup on Auditing, which is under the direction of Pat Sucher from the FSA, UK.

If you have any questions regarding our comments, please feel free to contact the chairman of EGFI, Arnoud Vossen (+44.20.7382.1753) or Miss Pat Sucher (+44.20.7066.5644).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kerstin af Jochnik', set against a light blue background.

Kerstin af Jochnik

Chair

## Appendix

### Comments on ISA 620, Using the Work of an Auditor's Expert (ISA 620)

**1. Is it appropriate that proposed ISA 620 (Revised and Redrafted) deal exclusively with considerations relevant to using the work of an auditor's expert, and accordingly material dealing with the work of management's expert be expanded and moved to proposed ISA 500 (Redrafted)?**

In principle, we agree with this approach, provided there is sufficient coverage of dealing with the work of management's expert in ISA 500. For the time being it is not clear to us how an expert who works as a management's expert and as an auditor's expert is dealt with. Is such an expert covered by ISA 620, ISA 500 or both standards depending on the capacity in which it is acting?

Concerning the proposed application material (A 30 a – A30g) of ISA 500 referring to paragraph 12 (c) of ISA 500 we believe that it is rather long, notably compared with the application material (A28 – A 30) of ISA 500 referring to other parts of paragraph 12. This might convey the message that auditors should give prominence to evaluating the capabilities, competence and objectivity of management's experts even though paragraph 12 letter (c) applies in addition to paragraph 12 letters (a) and (b) of ISA 500. We believe that requirements (a) (b) and (c) under paragraph 12 should be considered all together and we believe that this should be clearly stated in the application material.

**2. Is it appropriate that the definition of "expert" in proposed ISA 620 (Revised and Redrafted) excludes persons or organizations possessing expertise in accounting or auditing?**

We understand that the definition of "expert" in proposed ISA 620 (Revised and Redrafted) excludes persons or organizations possessing expertise in accounting or auditing, for example experts on IFRS fall out of the scope of ISA 620. However, it seems to us that this approach might not fully reflect current practice and we are concerned that these experts are not adequately dealt with in the other ISAs. 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 or could this "auditing expert" be considered as a member of the engagement team? In case of consultation on accounting or auditing matters (ISA 220 paragraph 18), the party consulted is not covered by ISA 620 but it is not clear which rules would apply instead.

In our view, the engagement partner normally is responsible for managing and supervising the audit. This includes using persons possessing any required accounting and auditing expertise, if necessary. Therefore, an auditor should not only consider using experts when expertise in a field other than accounting or auditing is required, but may also consider using experts in specialized areas of auditing and accounting, e.g. on matters such as valuation or sampling. In many cases, auditors use special expertise on IFRS. In practice, it might also be difficult to draw a proper distinction if expertise in complex modelling for valuation purposes sole relates to accounting or valuation expertise.

Thus, we think it might be helpful to provide guidance on how to deal with persons or organizations possessing specialised expertise in accounting or auditing. Since similar considerations and procedures relevant to using the work

of an auditor's expert could be applied to experts having specialized expertise in accounting, we suggest including them in the definition of an auditor's expert.

**3. Are the objectives for the proposed ISA appropriate?**

They seem to be appropriate.

**4. Are the proposed requirements appropriate responses to those objectives?**

Paragraph 8 allows for a sliding scale of the auditor's involvement in the work of the expert and we support this approach. However, we think that the first sentence of paragraph 9 ("The auditor shall evaluate whether the auditor's experts whose work is to be used has the necessary capabilities, competence and objectivity for the purpose of the audit.") should not generally fall under the "sliding scale" as provided by paragraph 8. It is essential that an auditor only uses an expert who meets these requirements.

In principle, we agree with the Board's approach to exclude an auditor's external expert from the definition of "engagement team" and the effects of paragraph 9. However, we suggest rewording this paragraph in order to make it clearer that the auditor's internal expert will be covered by ISA 220 and the associated requirements on independence and objectivity.

In addition, we are not sure why paragraph A 8 is application material to the requirement in paragraph 7 and not to the requirement in paragraph 9 which contains an effect of the auditor's external experts not being part of the engagement team. Paragraph 7 only deals with the evaluation whether or not there is a need for an auditor's expert.

Furthermore, we believe that the words "if significant" in paragraph 12 (b) are redundant because they seem to 'double' the sliding scale approach and, thus, should be deleted.

We wonder whether or not the additional audit procedure in A34 "employing or engaging another expert" should be also mentioned in the requirement paragraph 13. Although "employing or engaging another expert" is covered by paragraph 13 (b) it seems to us that in cases where it becomes apparent during the audit that the expert used by the auditor in the first place lacks the necessary capabilities, competence and objectivity, "employing or engaging another expert" seems to be the obvious additional audit procedure. The auditor had already concluded that there is need for an auditor's expert.

Additionally, we are not sure why application material A 34 requires a modified audit opinion instead of referring to the general procedure of requiring the auditor shall determine the implications for the audit and the auditor's opinion in accordance with ISA 705. In our view, the latter seems to be closer to the related requirement in paragraph 13 (b).

Finally, we are pleased that proposed ISA 620 clarifies in paragraphs 3 and 15 that the auditor is responsible for the audit and this responsibility is not diminished by the auditor's use of the work of an auditor's expert. In our view, this approach is essential to the use of auditor's experts and, therefore, should be stressed at the beginning of the requirements section, e.g. after paragraph 7.