



**BASEL COMMITTEE ON BANKING SUPERVISION**

**BANK FOR INTERNATIONAL SETTLEMENTS**

**Chairperson**

**VIA ELECTRONIC MAIL:  
edcomments@ifac.org**

Mr Jim Sylph  
Technical Director  
International Auditing and Assurance  
Standards Board  
545 Fifth Avenue, 14th Floor  
New York, New York 10017  
USA

15 February 2008

**IAASB exposure draft ISA 620 (revised and redrafted), using the work of an auditor's expert**

Dear Mr Sylph

The Basel Committee on Banking Supervision (the Committee) welcomes the opportunity to comment on your recent exposure draft. The Committee has a strong interest in high quality and independent audits of banks and has carefully analysed the revised proposal captioned above.

We appreciate the efforts of the International Auditing and Assurance Standards Board (IAASB) to revise and redraft this ISA. However, we do have some concerns about the ISA's coverage of persons or organisations possessing expertise in accounting or auditing.

We have provided more detailed comments in the attached appendix. These comments have been prepared by the Committee's Accounting Task Force, chaired by Ms Sylvie Mathérat, Director of the Bank of France, and have been approved by the Committee. The Committee trusts that you will find its comments useful and constructive.

If you have any questions regarding our comments, please feel free to contact Sylvie Mathérat (+33 1 4292 6579), Marc Pickeur, who chairs the Audit Subgroup of the Accounting Task Force (+32 2 220 5253), or Linda Ditchkus at the Basel Committee Secretariat (+41 61 280 8007).

Yours sincerely,

Nout Wellink



## Appendix

### **IAASB exposure draft ISA 620 (revised and redrafted), using the work of an auditor's expert**

The Basel Committee on Banking Supervision<sup>1</sup> (the Committee) has a strong interest in high quality and independent audits of banks and has carefully analysed the proposed revised and redrafted International Standard on Auditing (ISA) relating to using the work of an auditor's expert. The remainder of this appendix highlights certain issues, questions and suggestions for the Board's consideration.

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

We agree that the auditor's use of experts differs from the work of management's experts and that a distinction between the two is helpful. However, it is not obvious to us how an expert who works both as a management's expert and as an auditor's expert for a particular entity is dealt with. The Board should clarify whether such an expert is covered by ISA 620, ISA 500 or both standards.

- 2. Is it appropriate that the definition of "expert" in proposed ISA 620 (revised and redrafted) excludes persons or organisations possessing expertise in accounting or auditing?**

We understand that the definition of auditor's expert in proposed ISA 620 (revised and redrafted) excludes persons or organisations possessing expertise in accounting or auditing. For example experts on International Financial Reporting Standards (IFRS) fall outside the scope of ISA 620. However, we are concerned that these experts may not be adequately dealt with in the ISAs. For example, assume for a particular audit that an auditor with expertise on sampling is needed. We are not certain whether this person possessing expertise in auditing would be covered by paragraph 18 of ISA 220 as a person with whom the engagement team has undertaken appropriate consultation or would be considered a member of the engagement team. Clarity on which rules to apply to such persons is warranted.

---

<sup>1</sup> The Basel Committee on Banking Supervision is a committee of banking supervisory authorities, which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States. It usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.

In our view, the engagement partner normally is responsible for managing and supervising the audit and thereby takes responsibility for the overall quality of the audit engagement. This includes using persons possessing any required special accounting and auditing expertise, if necessary, from within or outside the firm. 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 specialised areas of auditing and accounting; for example on matters such as valuation or sampling. In many cases, auditors use persons with special expertise on IFRS. In practice, it might also be difficult to properly distinguish whether expertise in complex modelling for valuation purposes solely relates to accounting implications or not.

Thus, we suggest providing guidance on how to deal with persons or organisations possessing specialised expertise in accounting or auditing. Since similar considerations and procedures relevant for using the work of an auditor's expert could be applied to experts having specialised expertise in accounting or auditing, we suggest including them in the definition of an auditor's expert.

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

No comment

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

Paragraph 9 of the revised ISA requires the auditor to evaluate whether the auditor's expert (referring to both internal and external experts) has the necessary capabilities, competence and objectivity for the purposes of the audit. The paragraph then sets a requirement for additional inquiries regarding the auditor's external experts. The Board should explicitly state that different benchmarks (eg the auditor's firm's quality control policies and procedures or an other profession's independence standards) will apply to the auditor's evaluation depending on whether the auditor uses an internal or an external expert.

In paragraph 9 the Board introduces the notion of "objectivity", which it further discusses in paragraph A14. In order to clarify the distinction between objectivity and independence, the Board should consider describing this distinction, which could be accomplished within the application section and referenced to the Code of Ethics.

The words "if significant" in paragraph 12(b) are not needed because this concept should be understood. One possible modification of paragraph 12 could involve deleting the words "(b) If significant to the auditor's use of that expert's work:" and making sub-points (i) and (ii) into points (b) and (c).

We suggest that the additional audit procedure in paragraph A34 of "employing or engaging another expert" be explicitly mentioned in the requirements within paragraph 13. Although "employing or engaging another expert" is implicitly covered within "further audit procedures" in paragraph 13(b), in cases where it becomes apparent during the audit that the expert used by the auditor lacks the necessary capabilities, competence and objectivity, "employing or engaging another expert" seems to be an appropriate potential additional audit procedure (ie since the auditor had already concluded that there is a need for an auditor's expert).

When an auditor's expert's work is inadequate and the auditor cannot resolve the matter through the performance of additional audit procedures, paragraph A34 states that it may be necessary to express a modified audit opinion. However, this paragraph omits a reference to the general procedure of requiring the auditor to determine the implications for the audit and

the auditor's opinion in accordance with ISA 705. The Board should consider modifying the text of paragraph A34 to incorporate this procedure.

Finally, we concur with the statements in paragraphs 3, 14 and 15 of revised ISA 620 that the auditor is responsible for the audit opinion and this responsibility is not diminished by the auditor's use of the work of an auditor's expert. In our view, an understanding of this concept is essential to the auditor's use of auditor's experts and, therefore, should be stressed at the beginning of the requirements section, for example within or immediately after paragraph 7.

We suggest adding a requirement that 'In applying professional judgement, the auditor should assess the extent, if any, of documentation to be prepared and retained.' The application and other explanatory material could include some suggested documents. Alternatively, the Board could consider cross-referencing ISA 230, *Audit documentation*, if that guidance is deemed sufficient.