

SA 620 (Revised) - Using the work of an Auditor’s Expert

This SA deals with the auditor’s responsibilities regarding the use of an individual or organisation’s work in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.

Point to remember: Auditor’s responsibility is not reduced by the auditor’s use of the work of an auditor’s expert. He remains sole responsible for the opinion expressed.

Not Applicable: This SA does not deal with:

- Engagement team member is expert in a specialised area of accounting/auditing.
- *Auditor uses the work of Management’s Expert*

Objectives: The objectives of the auditor is to determine:

- whether to use the work of an auditor’s expert; and
- whether that work is adequate for the auditor’s purposes.

Definitions: Auditor’s Expert and management’s Expert:

	Auditor’s Expert	Management’s Expert
Status	Individual/ organisation	Individual/ organisation
Expertise	Other than accounting/ auditing	Other than accounting/ auditing
Beneficiary	Auditor	Entity
Use of work	Obtain Sufficient and appropriate Audit Evidence	Prepare Financial Statements

Matters where Auditor can use Expert work:

- (a) The valuation of complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired and liabilities assumed in business combinations and assets that may have been impaired.
- (b) The actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.
- (c) The estimation of oil and gas reserves.
- (d) The valuation of environmental liabilities, and site clean-up costs.
- (e) The interpretation of contracts, laws and regulations.
- (f) The analysis of complex or unusual tax compliance issues.

Procedures to be followed while using the work of auditor’s expert:

(a) Determining the Need for an Auditor’s Expert

If expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence, the auditor shall determine whether to use the work of an auditor’s expert.

(b) Evaluation of competence, capabilities and objectivity the auditor’s expert:

- Competence: Nature and Level of expertise
- Capability: Ability to exercise competence in circumstances of engagement.
- Objectivity: Possible effects that bias/ conflict of interest/ influence of others may have on professional/ business judgment.

• **Sources of info on Competence, Capabilities & Objectivity:**

1. Personal experience with previous work of that expert.
2. Discussions with that expert.
3. Discussions with other auditors or others who are familiar with that expert's work.
4. Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or
5. Other forms of external recognition.
6. Published papers or books written by that expert.
7. The auditor's firm's quality control policies and procedures

(c) **Obtaining an understanding of the field of expertise of the Auditor's Expert:** to enable the auditor to:

1. Determine the nature, scope and objectives of that expert's work for the auditor's purposes.
2. Evaluate the adequacy of that work for the auditor's purposes.

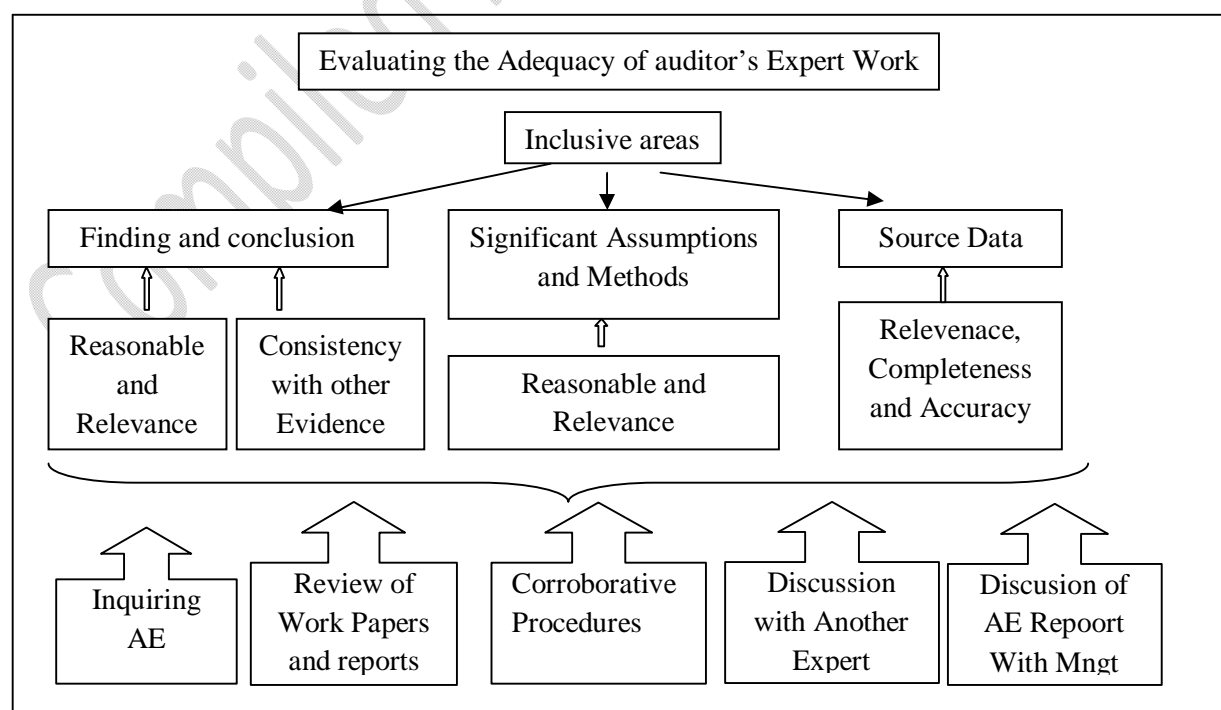
(d) **Agreement with auditor's Expert:** in writing, on the following matters:

1. Nature, scope & objectives of Auditor's Expert work (may include relevant technical standards or other professional and industry requirements).
2. Respective roles & responsibilities of auditors & Auditor Expert.
3. Nature, timing & extent of communication, including form of report.
4. Need for Auditor Expert to observe confidentiality requirements under ethical requirements or Law and regulation.

Note: Agreement is often in the form of an engagement letter.

(e) **Evaluating the adequacy of Auditor's Expert Work:** w.r.t.

- **Findings and Conclusion:** Relevance, reasonableness and consistency with other audit Evidence.
- **Significant Assumptions and Methods used:** Relevance and reasonableness in the circumstance.
- **Source data used:** Relevance, completeness, and accuracy.



(f) Auditor's Expert work not adequate for audit purposes

1. Agree with Auditor's expert on nature & extent of further work to be done by Auditor expert.
2. Perform further audit procedures appropriate in circumstances.
 - Including engagement of another expert.
3. If above cannot resolve inadequacy, **MODIFIED** opinion may be required.

Nature, Timing and Extent of Audit Procedures

While determining the nature, timing and extent of the procedures to be performed w.r.t. the requirements of this SA, the auditor shall consider matters including:

- (a) The nature of the matter to which that expert's work relates;
- (b) The risks of material misstatement in the matter to which that expert's work relates;
- (c) The significance of that expert's work in the context of the audit;
- (d) The auditor's knowledge of and experience with previous work performed by that expert; and
- (e) Whether that expert is subject to the auditor's firm's quality control policies and procedures.

Reference to the Auditor's Expert in the Auditor's Report

- Unmodified Audit Report: No reference unless required by Law and Regulation.
- Modified Audit Report: Refer to make modification more clear.

Note: In any case, audit report to clarify that reference does not reduce auditor's responsibility.

Previous Years Questions**Nov. 10 – New Syllabus**

Q. No. 1: While doing audit, Ram, the Auditor requires reports from experts for the purpose of audit evidence. What types of reports/opinions he can obtain and to what extent he can rely upon the same? [4 Marks]

Answer: refer the paragraph of “Matters where auditor can use expert work”.

Nov. 10 – Old Syllabus

Q. No. 2: For determining the liability for Gratuity, Actuary's report is produced to the auditor. On examination auditor notices a serious wrong assumption in the report. Auditor challenges the Actuary's Report- Comment. [4 Marks]

Answer: The answer of this question prior to issue of SA 620 (Revised) was based on earlier SA 620. But as this case is particularly on use of Management Expert's and not a case of use of Auditor's Expert, hence, now the answer of this questions should be based on SA 500 (Revised) – Audit Evidence, which contains the provisions relating with use of management's Expert and not on the basis of SA 620 (Revised).

May 10 – Old Syllabus

Q. No. 3: What are the procedures to be followed by a statutory auditor for verifying the provisions for accrued liability for retirement benefits which is based on a certificate of a reputed actuary. [8 Marks]

Answer: Refer the paragraph “Procedures to be followed while using the work of an auditor's Expert”.

June 09 – New Syllabus

Q. No. 4: Comment on the following: Z Ltd. has appointed an outside expert to assess accrued liability
Comment on the following: Z Ltd. had appointed an outside expert to assess accrued gratuity liability of the company. Based on the said report, the company provides Rs. 80 lakhs as gratuity in the financial statements. [4 Marks]

Answer: The answer of this question prior to issue of SA 620 (Revised) was based on earlier SA 620. But as this case is particularly on use of Management Expert's and not a case of use of Auditor's Expert, hence, now the answer of this questions should be based on SA 500 (Revised) – Audit Evidence, which contains the provisions relating with use of management's Expert and not on the basis of SA 620 (Revised).

June 09 – Old Syllabus

Q. No. 5: State your views on reference to an expert in the Auditor's report. . [4 Marks]

Answer: Refer the paragraph “Reference to Auditor's Expert in the auditor's Report”.