

**SA 620 - Using Work of Auditor's Expert**

Auditor has **sole responsibility** for audit opinion & that responsibility is **not reduced** by auditor's **use of work of auditor's expert**

<p><b>Auditor's Expert</b></p> <p><b>Same as Mgt Expert.</b> He is internal expert (including <b>temporary staff of network firm</b>) or external expert with expertise in</p> <ul style="list-style-type: none"> <li>Valuation of <b>complex financial instruments</b></li> <li><b>Actuarial</b> calculation of liabilities</li> <li><b>Interpretation</b> of contracts, L&amp;R</li> <li>Analysis of <b>complex tax compliance</b> issues</li> <li>Estimation of <b>oil &amp; gas reserves</b></li> </ul> <p><b>SA-620 does not deal with</b></p> <ul style="list-style-type: none"> <li>Situations where engagement team includes member with <b>expertise in A/cing or Auditing</b></li> <li>Auditor's use of work of <b>Mgt's expert</b></li> </ul>	<p><b>Determining Need for Auditor's Expert</b></p> <ul style="list-style-type: none"> <li>Obtaining <b>understanding of entity</b> &amp; its IC</li> <li>Identifying &amp; assessing <b>ROMM</b></li> <li><b>Implementing responses</b> to assessed risks</li> <li><b>Designing FAP</b> to respond to assessed risks</li> <li><b>Evaluating SAAE</b> obtained in forming opinion</li> </ul> <p><b>Whether to use Auditor's Expert? Consider</b></p> <ul style="list-style-type: none"> <li><b>Nature &amp; significance</b> of matter</li> <li><b>ROMM</b> in matter</li> <li>Expected <b>nature of procedures</b> to respond to identified risks</li> <li>Whether Mgt has used <b>Mgt's expert</b></li> </ul>
<p><b>When Mgt has used Mgt's expert</b></p> <p>Auditor's decision may be influenced by -</p> <ul style="list-style-type: none"> <li>Whether Mgt's expert is <b>employed</b> by entity, <b>or is party engaged</b> by it</li> <li>Any <b>control in entity over</b> Mgt's expert's work</li> <li>Mgt's expert's <b>competence &amp; capabilities</b></li> <li>Whether Mgt's expert is subject to <b>technical performance standards</b></li> <li><b>Nature Scope &amp; Objective</b> of expert work</li> <li>Extent to which Mgt can exercise <b>control over work</b> of Mgt's expert</li> </ul>	<p><b>Considerations for NTE of Audit Procedures</b></p> <ul style="list-style-type: none"> <li><b>Nature of matter</b> of expert's work</li> <li><b>Significance</b> of that expert's work</li> <li><b>ROMM</b> in that matter</li> <li>Auditor's <b>experience with previous work</b> performed by that expert</li> <li>Whether that expert is subject to <b>auditor's firm's QCS</b></li> </ul>
<p><b>Need for more extensive procedures exist when</b></p> <ul style="list-style-type: none"> <li>Auditor has <b>not previously used work</b> of that expert &amp; has no knowledge of expert's <b>competence, capabilities &amp; objectivity</b></li> <li>Expert is external expert &amp; is <b>not</b> subject to <b>auditor firm's QCS</b></li> <li>Expert's work relates to <b>significant matter</b> involving subjective &amp; complex <b>judgments</b></li> <li>Auditor's expert is performing procedures that are <b>integral to audit</b></li> </ul>	<p><b>Evaluating objectivity of auditor's expert</b></p> <ul style="list-style-type: none"> <li>Inquire entity for <b>interests or relationships</b> with auditor's external expert including -             <ul style="list-style-type: none"> <li><b>Financial</b> interests</li> <li><b>Business &amp; personal</b> relationships</li> <li>Provision of <b>other services</b> by expert</li> <li>It is appropriate to obtain <b>WR from auditor expert</b> for interest or relationship</li> </ul> </li> <li>Discuss with expert whether <b>safeguards are adequate</b> to reduce threat to acceptable level</li> </ul>

<p><b>Agreement with Auditor's Expert in Writing</b></p> <ul style="list-style-type: none"> <li>• <b>Nature, Scope &amp; Objectives</b> of expert's work</li> <li>• Respective <b>roles &amp; responsibilities</b> of auditor &amp; expert</li> <li>• <b>NTE of communication</b> B/w auditor &amp; expert, including form of report of expert</li> <li>• Need to observe <b>confidentiality requirements</b></li> </ul>	<p><b>Need for detailed agreement is required when</b></p> <ul style="list-style-type: none"> <li>• Expert will have access to <b>confidential info</b></li> <li>• Auditor has <b>not previously used work</b> performed by that expert</li> <li>• <b>Greater</b> extent of auditor's expert's work, &amp; its <b>significance</b> in context of audit</li> <li>• Matter of expert's work is <b>highly complex</b></li> </ul>
<p><b>Evaluating Adequacy of Auditor's Expert Work</b></p> <p>1. <b>Relevance &amp; Reasonableness</b> of expert's conclusions &amp; consistency with other evidence</p> <p><b>Specific procedures to evaluate adequacy</b></p> <ul style="list-style-type: none"> <li>• <b>Inquiries</b> of auditor's expert</li> <li>• <b>Reviewing</b> expert's <b>working papers &amp; reports</b></li> <li>• <b>Discussion with another expert</b> when conclusions of auditor's expert are not consistent with other audit evidence</li> <li>• <b>Discussing</b> auditor's expert's <b>report with Mgt</b></li> <li>• <b>Corroborative</b> procedures, such as -             <ul style="list-style-type: none"> <li>○ <b>Observing</b> auditor's expert's work</li> <li>○ Examining <b>published data</b></li> <li>○ <b>Confirming</b> matters with <b>3rd parties</b></li> <li>○ <b>Re-performing</b> calculations</li> <li>○ <b>Performing AP</b> to see whether materiality is considered</li> </ul> </li> </ul> <p>2. If expert's work uses <b>significant assumptions</b> &amp; methods, relevance &amp; reasonableness of those assumptions &amp; methods</p> <p><b>Factors relevant to such evaluation include whether assumptions &amp; methods are</b></p> <ul style="list-style-type: none"> <li>• <b>Generally accepted</b> in auditor's expert's field</li> <li>• Dependent on use of <b>specialised models</b></li> <li>• <b>Consistent</b> with requirements of <b>AFRF</b></li> <li>• <b>Consistent with Mgt</b> &amp; if not, reason for diff</li> </ul> <p>3. If expert uses <b>source data</b> that is significant to expert's work, <b>Relevance, Completeness, &amp; Accuracy</b> of that data</p>	<p><b>When Work of Expert is not adequate</b></p> <p>Auditor shall -</p> <ul style="list-style-type: none"> <li>• Agree with expert on <b>nature &amp; extent of further work</b> to be performed by expert or</li> <li>• <b>Perform FAP</b> as appropriate</li> <li>• If auditor <b>cannot resolve</b> matter by additional procedure, express <b>modified opinion</b></li> </ul> <p><b>Reference to Auditor's Expert in Report (Same as Service Auditor)</b></p> <ul style="list-style-type: none"> <li>• Auditor shall <b>not refer</b> to auditor's expert in report containing <b>unmodified opinion unless</b> required by <b>L&amp;R</b></li> <li>• If required by L&amp;R, indicate that reference <b>does not reduce auditor's responsibility</b></li> <li>• If auditor makes reference to expert because it is <b>relevant to understand modification to opinion</b>, indicate that such reference does not reduce auditor's responsibility</li> </ul>