

By mgt expert → Expertise [field other than accounting/auditing].
 ↓
 mgt use → P.P.F.S.

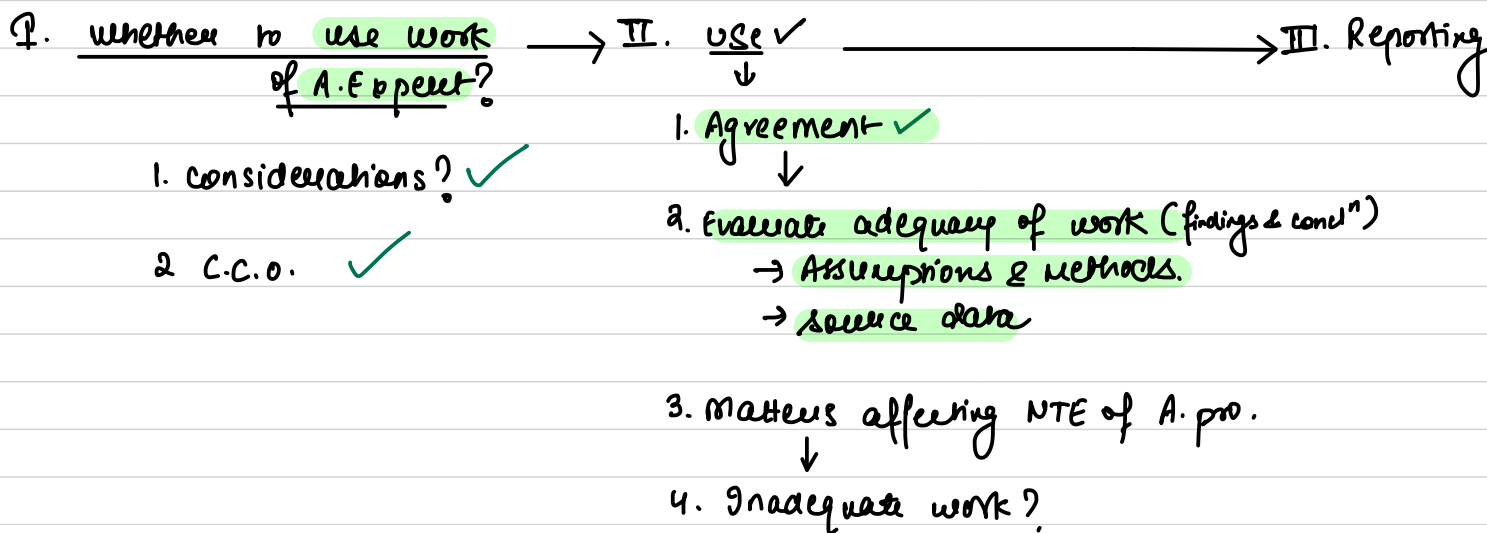
SA 620: Using work of Auditor's Expert

→ to obtain SAAE.

[kyu?] Types of reports/opinion that auditor can obtain?

- Assets**
1. valuation of
 - complex financial instruments (derivative → mkt price, interest options)
 - L&B / P&M
 - Intangible assets
 - (Precious) Jewellery, Art, Antiques etc.
- Actuary (Stats, Maths)**
2. Actuarial calculation of liabilities of Insurance contracts / Employee Benefit Plans.
 - Ins. Co. → Liab?
 - gratuity, leave encash → P.V
- Liab.**
3. valuation of environmental liabilities & site clean up cost.
 - eg Ind AS 16 & 37 → Provision for DROL (decontamination, restoration & other liab.).
 4. Estimation of oil & gas reserves.
 - R&L Petroleum
 - legal case
 - Estimate Inventory
 - sea bed
- LR**
5. Interpretation of L/R or contracts.
 - Breach → legal expert
 6. Analysis of complex tax issues.
 - J. Tax / GST
 - Liab. → Tax Expert.

Flow of SA 620



I.

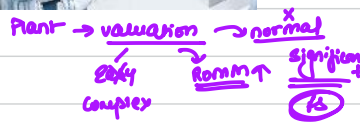
1. considerations → when deciding to use work of A. Expert?



(Desi) • whether mgt has used mgt expert in preparing AS.

(Matter) • Nature & significance of matter.

• RoMM in matter.



• Expected procedures to respond to identified risks considering knowledge & experience.

(Min) • Availability of alternate source of evidence.

[Mkt → similar plant → sale in recent time]. / mgt expert

⊗ How Auditor obtains → understanding of other field (eg valuation) (x expert use).

Through

Experience of auditing such entries that need such expertise. (apna experience).

Discussion with other auditors who have done similar engg. (Dusse ke experience).

Education / professional development through courses / discussions with experts. (seekho)

2. Competence, Capability & Objectivity (CCO) of expert (similar to SAS 500).

Spl. points: Relevance of expert's competence to matter including areas of speciality

eg ⊗ Actuary ⇒ speciality ⇒ property insurance liab. ✓
x pension liab.

• competence w.r.t. Accounting & auditing requirement

eg. Assumptions & methods consistent with AFRF.
Reasonable

And AS 19 → calculating P.V.D.B.O. → Project Unit Credit method.
(gran. liab.) (P.V.C.)

• As the circumstances change / audit evidence obtained → may reconsider C.C.O. of expert.

Evaluating objectivity (Book).

II. Agreement SA 110

- same as SA 110
- Book in
- a. Nature, scope & objective of expert's work.
 - b. Roles & responsibilities of auditor & expert. *entry services info.*
 - c. NTE of **communications** between **auditor** & **expert**.
eg. i. if work is related to sig. risk then \Rightarrow oral reports (audit progress) + formal written report (conclusion).
Formal ↑
 - d. Identify **specific staff / partners** to **coordinate** with **expert**.
 - e. A. Expert expected to maintain **confidentiality**.

Apne rak rakna

Need for **Detailed / written Agreement** (Factors?)

- Not previously used work of expert. ✓
- Expert has access to **sensitive / confidential info.** ✓
GST / Tax case \rightarrow details \rightarrow public.
- Matter is highly **complex**. *office* **Agreement**
- Greater the **extent & significance** of expert's work.
↑ of work *fs*

Q2

Specific procedures

To Evaluate Adequacy of Expert's work (findings & conclusion).

- **Inquiry** with expert
- Review expert's **work papers / Reports**

Corroborative pro. (AE 100).

- Analytical pro.
- External confirmations with 3rd parties
- Inspection (data \rightarrow statistical reports)
- Observing expert's work.
- Reperforming calculations.

- Discussions** with
 - another expert
 - mgt.

xeonh

Employee → gravity liab.

CAR of Data

- completeness ✓
- accuracy ✓
- Relevance ✓

(x temp workers / interns)

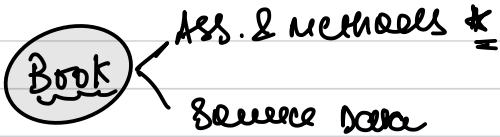
R&A of assumptions & methods

- Relevance
- Reasonableness
- Death / Retire ↓ Age ✓
- Int Rates ✓

R&A of findings & conclusions.

- Relevance
- Reasonableness.

OB



N.T.E. of procedures depend on certain matters

Repeat ⇒ 1st topic

a) Nature of matter

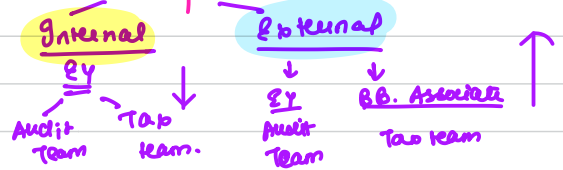
b) Significance of matter

c) Common in matter

d) Auditor's knowledge & experience

e) whether expert is subject to auditor's point under firm's Quality control P&P.

More extensive procedures?

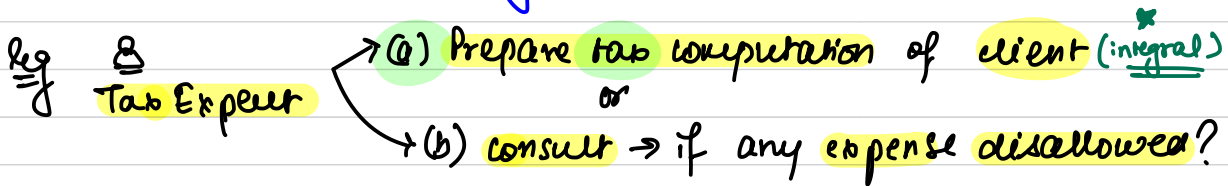


a. Significant matter with complex judgments.

b. Not previously used work of expert & no prior knowledge.

c. Expert is external expert & not subject to firm's Q.C. P&P.

d. Expert is performing procedures integral to audit matter than being consulted on individual matters.



⇒ case ⇒ more procedures? [a]

SAGDO Using work of Auditor's Expert

- **Types of reports/opinions**:
 - valuation • CFI/PEM/LEB/GA./Precious
 - Env. Liab
 - L/R or contracts
 - Actornal calⁿ of liab (insurance + emp.)
 - oil & gas reserves
 - Tax issues.

I. **Whether to use? * Considerations**

- mgt use mgt expert? **matter** → • Nature & significance (knowledge + exp.)
 - ↳ • ROMM → • Procedures to respond
- Alternate source of evidence.

* **Understanding of other field** • Experience • Discussion (other auditor) • Education/develop^{Prof.}

* **Evaluating objectivity** Discuss → Entity (Intt & Relations) + Experts (Safeguards) → W.R. (Intt + Relation)

II. * **Agreement**

- Nature, scope & objective • communication } Detail/
 - Not previously used
 - Complex
- Roles & responsibilities • Confidentiality } written?
 - Sensitive / conf matter
 - Significance in audit

* **Adequacy of work** • Inquiry → review w/P • Discuss (mgt + another expert)

- Corroborate pro. (AEIOU)

⊕
CAR of Data → RER of Assump & methods → RER of findings & conclⁿ

* **Matters affect NTE of A.Pro.**

- Nature
- ROMM
- Expert follows audit firm's rep.
- Significance
- Auditor's knowledge & experience

⇒ **More Extensive pro.**

- Significant matter with complex judgment
- x prev. used work of expert / knowledge.
- External expert
- **work integral to audit**

* **Inadequate work** ⇒ Expert further work or F.A.P. ⇒ SAAEⁿ ⇒ Modify opinion

* **Reporting** → Reference?

- unmodified opinion x
- modified opinion ✓ [Relevant to understand modification]
- ⇒ x reduce resp. for opinion.