

Think – A certain darkness is needed to see the stars

USING THE WORK OF AN AUDITOR'S EXPERT

01. Definition

Auditor's expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.

Examples

- **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.**
- **The estimation of oil and gas reserves.**
- **The valuation of environmental liabilities, and site clean-up costs**
- **The analysis of complex or unusual tax compliance issues.**

02. Determining the Need for an Auditor's Expert

- (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.

03. The Competence, Capabilities and Objectivity of the Auditor's Expert

Information regarding the competence, capabilities and objectivity of an auditor's expert may come from a variety of sources, such as:

- Personal experience with previous work of that expert.

- Discussions with that expert.
- Discussions with other auditors or others who are familiar with that expert's work.
- Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
- Published papers or books written by that expert.
- The auditor's firm's quality control policies and procedures

04. Agreement with the Auditor's Expert

The auditor shall agree, in writing when appropriate, on the following matters with the auditor's expert

- (a) The nature, scope and objectives of that expert's work
- (b) The respective roles and responsibilities of the auditor and that expert
- (c) The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert
- (d) The need for the auditor's expert to observe confidentiality requirements.

05. Evaluating the Adequacy of the Auditor's Expert's Work

The auditor shall evaluate the adequacy of the auditor's expert's work for the auditor's purposes, including

- (a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence
- (b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances
- (c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data

If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purposes, the auditor shall

- (a) Agree with that expert on the nature and extent of further work to be performed by that expert; or
- (b) Perform additional audit procedures appropriate to the circumstances.

06. The Findings and Conclusions of the Auditor's Expert

Specific procedures to evaluate the adequacy of the auditor's expert's work for the auditor's purposes may include:

- Inquiries of the auditor's expert.
- Reviewing the auditor's expert's working papers and reports.
- Corroborative procedures, such as:
 - ✓ Observing the auditor's expert's work;
 - ✓ Examining published data, such as statistical reports from reputable, authoritative sources;
 - ✓ Confirming relevant matters with third parties;
 - ✓ Performing detailed analytical procedures;
 - ✓ Performing calculations.
- Discussing the auditor's expert's report with management.

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

In some cases, law or regulation may require a reference to the work of an auditor's expert, for example, for the purposes of transparency in the public sector.

It may be appropriate in some circumstances to refer to the auditor's expert in an auditor's report containing a modified opinion, to explain the nature of the modification. In such circumstances, the auditor may need the permission of the auditor's expert before making such a reference.