SA 600

USING THE WORK OF ANOTHER AUDITOR

(EFFECTIVE FOR ALL AUDITS RELATING TO ACCOUNTING PERIODS BEGINNING ON OR AFTER APRIL 1, 2002)

Introduction

1. The Standard on Auditing (SA) 200, “Basic Principles Governing an Audit”, states (paragraph 9):

“When the auditor delegates work to assistants or uses work performed by other auditors and experts, he will continue to be responsible for forming and expressing his opinion on the financial information. However, he will be entitled to rely on work performed by others, provided he exercises adequate skill and care and is not aware of any reason to believe that he should not have so relied. In the case of any independent statutory appointment to perform the work on which the auditor has to rely in forming his opinion, such as in the case of the work of branch auditors appointed under the Companies Act, 1956 the auditor’s report should expressly state the fact of such reliance.”

2. The purpose of this Standard on Auditing (SA) is to establish standards to be applied in situations where an auditor (referred to herein as the ‘principal auditor’), reporting on the financial information of an entity, uses the work of another auditor (referred to herein as the ‘other auditor’) with respect to the financial information of one or more components included in the financial information of the entity. This Standard also discusses the principal auditor’s responsibility in relation to his use of the work of the other auditor. In this Standard, the term ‘financial information’ encompasses ‘financial statements’.

3. This Standard does not deal with those instances where two or more auditors are appointed as joint auditors\(^1\) nor does it deal with the auditor’s relationship with a predecessor auditor.

4. When the principal auditor concludes that the financial information of a component is immaterial, the procedures outlined in this Statement do not apply. When several components, immaterial in themselves, are together material in relation to the financial information of the entity as a whole, the procedures outlined in this Statement should be considered.

5. **When the principal auditor uses the work of another auditor, the principal auditor should determine how the work of the other auditor will affect the audit.**

6. "Principal auditor" means the auditor with responsibility for reporting on the financial information of an entity when that financial information includes the financial information of one or more components audited by another auditor.

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\(^1\) Standard on Auditing (SA) 299, “Responsibility of Joint Auditors”, deals with the audit procedures to be employed where two or more auditors are appointed as joint auditors.
7. "Other auditor" means an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial information audited by the principal auditor.

8. "Component" means a division, branch, subsidiary, joint venture, associated enterprises or other entity whose financial information is included in the financial information audited by the principal auditor.

Acceptance as Principal Auditor
9. The auditor should consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. For this purpose the auditor would consider:

(a) the materiality of the portion of the financial information which the principal auditor audits;
(b) the principal auditor's degree of knowledge regarding the business of the components;
(c) the risk of material misstatements in the financial information of the components audited by the other auditor; and
(d) the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit.

The Principal Auditor's Procedures
10. In certain situations, the statute governing the entity may confer a right on the principal auditor to visit a component and examine the books of account and other records of the said component, if he thinks it necessary to do so. Where another auditor has been appointed for the component, the principal auditor would normally be entitled to rely upon the work of such auditor unless there are special circumstances to make it essential for him to visit the component and/or to examine the books of account and other records of the said component.

11. When planning to use the work of another auditor, the principal auditor should consider the professional competence of the other auditor in the context of specific assignment if the other auditor is not a member of the Institute of Chartered Accountants of India.

12. The principal auditor should perform procedures to obtain sufficient appropriate audit evidence, that the work of the other auditor is adequate for the principal auditor's purposes, in the context of the specific assignment. When using the work of another auditor, the principal auditor should ordinarily perform the following procedures:

(a) advise the other auditor of the use that is to be made of the other auditor's work and report and make sufficient arrangements for co-ordination of their efforts at the planning stage of the audit. The principal auditor would inform the other auditor of matters such as areas requiring special consideration, procedures for the identification of inter-component transactions that may require disclosure and the time-table for completion of audit; and
(b) advise the other auditor of the significant accounting, auditing and reporting requirements and obtain representation as to compliance with them.
13. The principal auditor might discuss with the other auditor the audit procedures applied or review a written summary of the other auditor’s procedures and findings which may be in the form of a completed questionnaire or check-list. The principal auditor may also wish to visit the other auditor. The nature, timing and extent of procedures will depend on the circumstances of the engagement and the principal auditor's knowledge of the professional competence of the other auditor. This knowledge may have been enhanced from the review of the previous audit work of the other auditor.

14. The principal auditor may conclude that it is not necessary to apply procedures such as those described in paragraph 13 because sufficient appropriate audit evidence previously obtained that acceptable quality control policies and procedures are complied with in the conduct of other auditor's practice.

15. The principal auditor should consider the significant findings of the other auditor.

16. The principal auditor may consider it appropriate to discuss with the other auditor and the management of the component, the audit findings or other matters affecting the financial information of the components. He may also decide that supplemental tests of the records or the financial statements of the component are necessary. Such tests may, depending upon the circumstances, be performed by the principal auditor or the other auditor.

17. In certain circumstances, the other auditor may happen to be a person other than a professionally qualified auditor. This may happen, for instance, where a component is situated in a foreign country and the applicable laws permit a person other than a professionally qualified auditor to audit the financial statements of such component. In such circumstances, the procedures outlined in paragraphs 10 to 16 assume added importance.

18. The principal auditor should document in his working papers the components whose financial information was audited by other auditors; their significance to the financial information of the entity as a whole; the names of the other auditors; and any conclusions reached that individual components are not material. The principal auditor should also document the procedures performed and the conclusions reached. For example, the auditor would document the results of discussions with the other auditor and review of the written summary of the other auditor's procedures. However, the principal auditor need not document the reasons for limiting the procedures in the circumstances described at 14 above, provided those reasons are summarised elsewhere in the documentation maintained by the principal auditor. Where the other auditor’s report is other than unmodified\(^2\), the principal auditor should

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\(^2\) Standard on Auditing (SA) 700, "The Auditor’s Report on Financial Statements", deals with the concept of "modified audit report". An auditor's report is considered to be modified when it includes:

- Matters that do not affect the auditor’s opinion
  
  - emphasis of matter
  
  - Matters that do affect the auditor’s opinion
    
    - qualified opinion,  
    
    - disclaimer of opinion, or  
    
    - adverse opinion".
also document how he has dealt with the qualifications or adverse remarks contained in the other auditor's report in framing his own report.

Co-ordination Between Auditors

19. **There should be sufficient liaison between the principal auditor and the other auditor.** For this purpose, the principal auditor may find it necessary to issue written communication(s) to the other auditor.

20. **The other auditor, knowing the context in which his work is to be used by the principal auditor, should co-ordinate with the principal auditor.** For example, by bringing to the principal auditor's immediate attention any significant findings requiring to be dealt with at entity level, adhering to the time-table for audit of the component, etc. He should ensure compliance with the relevant statutory requirements. Similarly, the principal auditor should advise the other auditor of any matters that come to his attention that he thinks may have an important bearing on the other auditor's work.

21. When considered necessary by him, the principal auditor may require the other auditor to answer a detailed questionnaire regarding matters on which the principal auditor requires information for discharging his duties. The other auditor should respond to such questionnaire on a timely basis.

Reporting Considerations

22. When the principal auditor concludes, based on his procedures, that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor, the principal auditor should express a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit.

23. In all circumstances, if the other auditor issues, or intends to issue, a modified auditor's report, the principal auditor should consider whether the subject of the modification is of such nature and significance, in relation to the financial information of the entity on which the principal auditor is reporting that it requires a modification of the principal auditor's report.

Division of Responsibility

24. The principal auditor would not be responsible in respect of the work entrusted to the other auditors, except in circumstances which should have aroused his suspicion about the reliability of the work performed by the other auditors.

25. **When the principal auditor has to base his opinion on the financial information of the entity as a whole relying upon the statements and reports of the other auditors, his report should state clearly the division of responsibility for the financial information of the entity by indicating the extent to which the financial information of components audited by the other auditors have been included in the financial information of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors.**
Effective Date

26. This Standard on Auditing becomes operative for all audits relating to accounting periods beginning on or after April 1, 2002.

Compatibility with International Standard on Auditing (ISA) 600

The auditing standards established in this Standard on Auditing (SA) are generally consistent, in all material respects, with those set out in ISA 600 “Using the Work of Another Auditor”.

SA 610 (REVISED)

USING THE WORK OF INTERNAL AUDITORS

(EFFECTIVE FOR ALL AUDITS RELATING TO ACCOUNTING PERIODS BEGINNING ON OR AFTER APRIL 1, 2010)

INTRODUCTION

Scope of this SA

1. This Standard on Auditing (SA) deals with the external auditor’s responsibilities regarding the work of internal auditors when the external auditor has determined, in accordance with SA 315,3 that the internal audit function is likely to be relevant to the audit. (Ref: Para. A1-A2)

2. This SA does not deal with instances when individual internal auditors provide direct assistance to the external auditor in carrying out audit procedures or where, in terms of the applicable legal and regulatory framework, it is not permissible for the internal auditor to provide access to his working papers to the third parties.

Relationship between the Internal Audit Function and the External Auditor

3. The role and objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar. (Ref: Para. A3)

4. Irrespective of the degree of autonomy and objectivity of the internal audit function, such function is not independent of the entity as is required of the external auditor when expressing an opinion on financial statements. The external auditor has sole responsibility for the audit.

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opinion expressed, and that responsibility is not reduced by the external auditor’s use of the work of the internal auditors.

Effective Date

5. This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objectives

6. The objectives of the external auditor, where the entity has an internal audit function that the external auditor has determined is likely to be relevant to the audit, are to determine:

(a) Whether, and to what extent, to use specific work of the internal auditors; and
(b) If so, whether such work is adequate for the purposes of the audit.

Definitions

7. For purposes of the SAs, the following terms have the meanings attributed below:

(a) Internal audit function – An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control. The Preface to the Standards on Internal Audit, issued by the Institute of Chartered Accountants of India, issued in November 2004 describes internal audit as “an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity’s strategic risk management and internal control system. Internal audit, therefore, provides assurance that there is transparency in reporting, as a part of good governance.”

(b) Internal auditors – Those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.

Requirements

Determining Whether and to What Extent to Use the Work of the Internal Auditors

8. The external auditor shall determine:

(a) Whether the work of the internal auditors is likely to be adequate for purposes of the audit; and
(b) If so, the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor’s procedures.

9. In determining whether the work of the internal auditors is likely to be adequate for purposes of the audit, the external auditor shall evaluate:

(a) The objectivity of the internal audit function;
(b) The technical competence of the internal auditors;
(c) Whether the work of the internal auditors is likely to be carried out with due professional care; and
(d) Whether there is likely to be effective communication between the internal auditors and the external auditor. (Ref: Para. A4)

10. In determining the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor’s procedures, the external auditor shall consider:

(a) The nature and scope of specific work performed, or to be performed, by the internal auditors;
(b) The assessed risks of material misstatement at the assertion level for particular classes of transactions, account balances, and disclosures; and
(c) The degree of subjectivity involved in the evaluation of the audit evidence gathered by the internal auditors in support of the relevant assertions. (Ref: Para. A5)

Using Specific Work of the Internal Auditors

11. In order for the external auditor to use specific work of the internal auditors, the external auditor shall evaluate and perform audit procedures on that work to determine its adequacy for the external auditor’s purposes. (Ref: Para. A6)

12. To determine the adequacy of specific work performed by the internal auditors for the external auditor’s purposes, the external auditor shall evaluate whether:

(a) The work was performed by internal auditors having adequate technical training and proficiency;
(b) The work was properly supervised, reviewed and documented;
(c) Adequate audit evidence has been obtained to enable the internal auditors to draw reasonable conclusions;
(d) Conclusions reached are appropriate in the circumstances and any reports prepared by the internal auditors are consistent with the results of the work performed; and
(e) Any exceptions or unusual matters disclosed by the internal auditors are properly resolved.

Documentation

13. When the external auditor uses specific work of the internal auditors, the external auditor shall document conclusions regarding the evaluation of the adequacy of the work of the internal auditors, and the audit procedures performed by the external auditor on that work, in accordance with paragraph 11.

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Application and Other Explanatory Material

Scope of this SA (Ref: Para. 1)

A1. As described in SA 315\(^4\), the entity’s internal audit function is likely to be relevant to the audit if the nature of the internal audit function’s responsibilities and activities are related to

\(^4\) SA 315, paragraph A96a.
the entity’s financial reporting, and the auditor expects to use the work of the internal auditors to modify the nature or timing, or reduce the extent, of audit procedures to be performed.

A2. Carrying out procedures in accordance with this SA may cause the external auditor to re-evaluate the external auditor’s assessment of the risks of material misstatement. Consequently, this may affect the external auditor’s determination of the relevance of the internal audit function to the audit. Similarly, the external auditor may decide not to otherwise use the work of the internal auditors to affect the nature, timing or extent of the external auditor’s procedures. In such circumstances, the external auditor’s further application of this SA may not be necessary.

Scope and Objectives of the Internal Audit Function (Ref: Para. 3)

A3. The objectives of internal audit functions vary widely and depend on the size and structure of the entity and the requirements of management and, where applicable, those charged with governance. The activities of the internal audit function may include one or more of the following:

- Monitoring of internal control. The internal audit function may be assigned specific responsibility for reviewing controls, monitoring their operation and recommending improvements thereto.
- Examination of financial and operating information. The internal audit function may be assigned to review the means used to identify, measure, classify and report financial and operating information, and to make specific inquiry into individual items, including detailed testing of transactions, balances and procedures.
- Review of operating activities. The internal audit function may be assigned to review the economy, efficiency and effectiveness of operating activities, including non-financial activities of an entity.
- Review of compliance with laws and regulations. The internal audit function may be assigned to review compliance with laws, regulations and other external requirements, and with management policies and directives and other internal requirements.
- Risk management. The internal audit function may assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.
- Governance. The internal audit function may assess the governance process in its accomplishment of objectives on ethics and values, performance management and accountability, communicating risk and control information to appropriate areas of the organization and effectiveness of communication among those charged with governance, external and internal auditors, and management.

Determining Whether and to What Extent to Use the Work of the Internal Auditors

Whether the Work of the Internal Auditors Is Likely to Be Adequate for Purposes of the Audit (Ref: Para. 9)

A4. Factors that may affect the external auditor’s determination of whether the work of the internal auditors is likely to be adequate for the purposes of the audit include:
Objectivity

- The status of the internal audit function within the entity and the effect such status has on the ability of the internal auditors to be objective.
- Whether the internal audit function reports to those charged with governance or an officer with appropriate authority, and whether the internal auditors have direct access to those charged with governance.
- Whether the internal auditors are free of any conflicting responsibilities.
- Whether those charged with governance oversee employment decisions related to the internal audit function.
- Whether there are any constraints or restrictions placed on the internal audit function by management or those charged with governance.
- Whether, and to what extent, management acts on the recommendations of the internal audit function, and how such action is evidenced.

Technical competence

- Whether the internal auditors are members of relevant professional bodies.
- Whether the internal auditors have adequate technical training and proficiency as internal auditors.
- Compliance with the mandatory/recommendatory Standards on Internal Audit (SIAs) issued by Internal Audit Standards Board of the Institute of Chartered Accountants of India (ICAI).
- Whether there are established policies for hiring and training internal auditors.

Due professional care

- Whether activities of the internal audit function are properly planned, supervised, reviewed and documented.
- The existence and adequacy of audit manuals or other similar documents, work programs and internal audit documentation.

Communication

Communication between the external auditor and the internal auditors may be most effective when the internal auditors are free to communicate openly with the external auditors, and:

- Meetings are held at appropriate intervals throughout the period;
- The external auditor is advised of and has access to relevant internal audit reports and is informed of any significant matters that come to the attention of the internal auditors when such matters may affect the work of the external auditor; and
- The external auditor informs the internal auditors of any significant matters that may affect the internal audit function.

Planned Effect of the Work of the Internal Auditors on the Nature, Timing or Extent of the External Auditor’s Procedures (Ref: Para. 10)

A5. Where the work of the internal auditors is to be a factor in determining the nature, timing
or extent of the external auditor’s procedures, it may be useful to agree in advance the following matters with the internal auditors:

- The timing of such work;
- The extent of audit coverage;
- Materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures), and performance materiality;
- Proposed methods of item selection;
- Documentation of the work performed; and
- Review and reporting procedures.

**Using Specific Work of the Internal Auditors** (Ref: Para. 11)

A6. The nature, timing and extent of the audit procedures performed on specific work of the internal auditors will depend on the external auditor’s assessment of the risk of material misstatement, the evaluation of the internal audit function, and the evaluation of the specific work of the internal auditors. Such audit procedures may include:

- Examination of items already examined by the internal auditors;
- Examination of other similar items; and
- Observation of procedures performed by the internal auditors.

**Material Modifications to ISA 610, “Using the Work of Internal Auditors”**

**Addition**

Paragraph 2 of ISA 610 deals with the situations where this ISA would not be applicable. In India, clause 1 of Part I of the Second Schedule to the Code of Ethics provides that a Chartered Accountant in Practice shall be deemed to be guilty of professional misconduct if he discloses information acquired in the course of his professional engagement to any person other than his client, an auditor cannot provide access to his working paper to the another auditor. Therefore, keeping in view the requirements of Code of Ethics, the situation, “where, in terms of the applicable legal and regulatory framework, it is not permissible for the internal auditor to provide access to his working papers to the third parties” has been added.

**Limited Revision Consequential to issuance of the Standard on Auditing (SA) 610 (Revised), “Using the Work of Internal Auditors”**

The amendments to Standard on Auditing (SA) 315 have been shown in track change mode.

SA 315, “Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment”

22. The auditor shall obtain an understanding of the major activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates corrective actions to its controls. (Ref: Para. A94-A96)
22a. If the entity has an internal audit function, the auditor shall obtain an understanding of the following in order to determine whether the internal audit function is likely to be relevant to the audit:

(a) The nature of the internal audit function’s responsibilities and how the internal audit function fits in the entity’s organisational structure; and

(b) The activities performed, or to be performed, by the internal audit function. (Ref: Para. A96a - A96c)

23. The auditor shall obtain an understanding of the sources of the information used in the entity’s monitoring activities, and the basis upon which management considers the information to be sufficiently reliable for that purpose. (Ref: Para. A97)

Components of Internal Control-Monitoring of Controls (Ref: Para. 22)

A94. Monitoring of controls is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis and taking necessary corrective actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities.

A95. Management’s monitoring activities may include using information from communications from external parties such as customer complaints and regulator comments that may indicate problems or highlight areas in need of improvement.

Considerations Specific to Smaller Entities

A96. Management’s monitoring of control is often accomplished by management’s or the owner-manager’s close involvement in operations. This involvement often will identify significant variances from expectations and inaccuracies in financial data leading to corrective action to the control.

Internal Audit Functions (Ref: Para 22a)

A96a. The entity’s internal audit function is likely to be relevant to the audit if the nature of the internal audit function’s responsibilities and activities are related to the entity’s financial reporting, and the auditor expects to use the work of the internal auditors to modify the nature or timing, or reduce the extent, of audit procedures to be performed. When the auditor determines that the internal audit function is likely to be relevant to the audit, SA 610 (Revised) applies.

A96b. The objectives of an internal audit function, and therefore the nature of its responsibilities and its status within the organisation, vary widely and depend on the size and

* The term “internal audit function” is defined in SA 610 (Revised), “Using the Work of Internal Auditors”, paragraph 7(a).
structure of the entity and the requirements of management and, where applicable, those charged with governance. The responsibilities of an internal audit function may include, for example, monitoring of internal control, risk management, and review of compliance with laws and regulations. On the other hand, the responsibilities of the internal audit function may be limited to the review of the economy, efficiency and effectiveness of operations, for example, and accordingly, may not relate to the entity’s financial reporting.

A96c. If the nature of the internal audit function’s responsibilities are related to the entity’s financial reporting, the external auditor’s consideration of the activities performed, or to be performed by, the internal audit function may include review of the internal audit function’s audit plan for the period, if any, and discussion of that plan with the internal auditors.

[When the conforming amendments are included in SA 315, paragraphs A96a-A96c will become paragraphs A97-A99 and the SA will be re-numbered accordingly.]

SA 620 (REVISED)

USING THE WORK OF AN AUDITOR’S EXPERT

(EFFECTIVE FOR ALL AUDITS RELATING TO ACCOUNTING PERIODS BEGINNING ON OR AFTER APRIL 1, 2010)

INTRODUCTION

Scope of this SA

1. This Standard on Auditing (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.

2. This SA does not deal with:

(a) Situations where the engagement team includes a member with expertise in specialised area of accounting or auditing, which is dealt with in SA 220 (Revised); or

(b) The auditor’s use of the work of an individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements (a management’s expert), which is dealt with in SA 500 (Revised).

The Auditor’s Responsibility for the Audit Opinion

3. The auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the auditor’s use of the work of an auditor’s expert. Nonetheless, if the auditor using the work of an auditor’s expert, having followed this SA, concludes that the work of that expert is adequate for the auditor’s purposes, the auditor may accept that expert’s findings or conclusions in the expert’s field as appropriate audit evidence.

Effective Date

4. This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objectives

5. The objectives of the auditor are:

(a) To determine whether to use the work of an auditor’s expert; and

(b) If using the work of an auditor’s expert, to determine whether that work is adequate for the auditor’s purposes.

Definitions

6. For purposes of the SAs, the following terms have the meanings attributed below:

(a) Auditor’s expert – An individual or organisation 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. (Ref: Para. A1-A3)

(b) Expertise – Skills, knowledge and experience in a particular field.

(c) Management’s expert – An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

Requirements

Determining the Need for an Auditor’s Expert

7. 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. (Ref: Para. A4-A9)

Nature, Timing and Extent of Audit Procedures

8. The nature, timing and extent of the auditor’s procedures with respect to the requirements in paragraphs 9-13 of this SA will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)

(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. (Ref: Para. A11-A13)

**The Competence, Capabilities and Objectivity of the Auditor’s Expert**

9. The auditor shall evaluate whether the auditor’s expert has the necessary competence, capabilities and objectivity for the auditor’s purposes. In the case of an auditor’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert’s objectivity. (Ref: Para. A14-A20)

**Obtaining an Understanding of the Field of Expertise of the Auditor’s Expert**

10. The auditor shall obtain a sufficient understanding of the field of expertise of the auditor’s expert to enable the auditor to: (Ref: Para. A21-A22)

(a) Determine the nature, scope and objectives of that expert’s work for the auditor’s purposes; and
(b) Evaluate the adequacy of that work for the auditor’s purposes.

**Agreement with the Auditor’s Expert**

11. The auditor shall agree, in writing when appropriate, on the following matters with the auditor’s expert: (Ref: Para. A23-A26)

(a) The nature, scope and objectives of that expert’s work; (Ref: Para. A27)
(b) The respective roles and responsibilities of the auditor and that expert; (Ref: Para. A28-A29)
(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; and (Ref: Para. A30)
(d) The need for the auditor’s expert to observe confidentiality requirements. (Ref: Para. A31)

**Evaluating the Adequacy of the Auditor’s Expert’s Work**

12. The auditor shall evaluate the adequacy of the auditor’s expert’s work for the auditor’s purposes, including: (Ref: Para. A32)

(a) The relevance and reasonableness of that expert’s findings or conclusions, and their consistency with other audit evidence; (Ref: Para. A33-A34)
(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; and (Ref: Para. A35-A37)
(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. (Ref: Para. A38-A39)

13. If the auditor determines that the work of the auditor’s expert is not adequate for the auditor’s purposes, the auditor shall: (Ref: Para. A40)

(a) Agree with that expert on the nature and extent of further work to be performed by that expert; or
(b) Perform further audit procedures appropriate to the circumstances.
Reference to the Auditor’s Expert in the Auditor’s Report

14. The auditor shall not refer to the work of an auditor's expert in an auditor’s report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor’s report that the reference does not reduce the auditor’s responsibility for the audit opinion. (Ref: Para. A41)

15. If the auditor makes reference to the work of an auditor’s expert in the auditor’s report because such reference is relevant to an understanding of a modification to the auditor’s opinion, the auditor shall indicate in the auditor’s report that such reference does not reduce the auditor’s responsibility for that opinion. (Ref: Para. A42)

Application and Other Explanatory Material

Definitions

**Auditor’s Expert** (Ref: Para. 6(a))

A1. Expertise in a field other than accounting or auditing may include expertise in relation to such matters as:

- 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 actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.
- The estimation of oil and gas reserves.
- The valuation of environmental liabilities, and site clean-up costs.
- The interpretation of contracts, laws and regulations.
- The analysis of complex or unusual tax compliance issues.

A2. In many cases, distinguishing between expertise in accounting or auditing, and expertise in another field, will be straightforward, even where this involves a specialised area of accounting or auditing. For example, an individual with expertise in applying methods of accounting for deferred income tax can often be easily distinguished from an expert in taxation law. The former is not an expert for the purposes of this SA as this constitutes accounting expertise; the latter is an expert for the purposes of this SA as this constitutes legal expertise. Similar distinctions may also be able to be made in other areas, for example, between expertise in methods of accounting for financial instruments, and expertise in complex modeling for the purpose of valuing financial instruments. In some cases, however, particularly those involving an emerging area of accounting or auditing expertise, distinguishing between specialised areas of accounting or auditing, and expertise in another field, will be a matter of professional judgment. Applicable professional rules and standards regarding education and competency requirements for accountants and auditors may assist the auditor in exercising that judgment.
A3. It is necessary to apply judgment when considering how the requirements of this SA are affected by the fact that an auditor’s expert may be either an individual or an organisation. For example, when evaluating the competence, capabilities and objectivity of an auditor’s expert, it may be that the expert is an organisation the auditor has previously used, but the auditor has no prior experience of the individual expert assigned by the organisation for the particular engagement; or it may be the reverse, that is, the auditor may be familiar with the work of an individual expert but not with the organisation that expert has joined. In either case, both the personal attributes of the individual and the managerial attributes of the organisation (such as systems of quality control the organisation implements) may be relevant to the auditor’s evaluation.

**Determining the Need for an Auditor’s Expert** (Ref: Para. 7)

A4. An auditor’s expert may be needed to assist the auditor in one or more of the following:

- Obtaining an understanding of the entity and its environment, including its internal control.
- Identifying and assessing the risks of material misstatement.
- Determining and implementing overall responses to assessed risks at the financial statement level.
- Designing and performing further audit procedures to respond to assessed risks at the assertion level, comprising tests of controls or substantive procedures.
- Evaluating the sufficiency and appropriateness of audit evidence obtained in forming an opinion on the financial statements.

A5. The risks of material misstatement may increase when expertise in a field other than accounting is needed for management to prepare the financial statements, for example, because this may indicate some complexity, or because management may not possess knowledge of the field of expertise. If in preparing the financial statements management does not possess the necessary expertise, a management’s expert may be used in addressing those risks. Relevant controls, including controls that relate to the work of a management’s expert, if any, may also reduce the risks of material misstatement.

A6. If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements. The engagement partner is required to be satisfied that the engagement team, and any auditor’s experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the audit engagement. Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement. The auditor’s determination of whether to use the work of an auditor’s expert, and if so when and to what extent, assists the auditor in meeting these requirements. As the audit progresses, or as circumstances change,

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7 SA 220 (Revised), paragraph 14.
8 SA 300 (Revised), “Planning an Audit of Financial Statements”, paragraph 7(e).
the auditor may need to revise earlier decisions about using the work of an auditor’s expert.

A7. An auditor who is not an expert in a relevant field other than accounting or auditing may nevertheless be able to obtain a sufficient understanding of that field to perform the audit without an auditor’s expert. This understanding may be obtained through, for example:

• Experience in auditing entities that require such expertise in the preparation of their financial statements.
• Education or professional development in the particular field. This may include formal courses, or discussion with individuals possessing expertise in the relevant field for the purpose of enhancing the auditor’s own capacity to deal with matters in that field. Such discussion differs from consultation with an auditor’s expert regarding a specific set of circumstances encountered on the engagement where that expert is given all the relevant facts that will enable the expert to provide informed advice about the particular matter.9
• Discussion with auditors who have performed similar engagements.

A8. In other cases, however, the auditor may determine that it is necessary, or may choose, to use an auditor’s expert to assist in obtaining sufficient appropriate audit evidence. Considerations when deciding whether to use an auditor’s expert may include:

• Whether management has used a management’s expert in preparing the financial statements (see paragraph A9).
• The nature and significance of the matter, including its complexity.
• The risks of material misstatement in the matter.
• The expected nature of procedures to respond to identified risks, including the auditor’s knowledge of and experience with the work of experts in relation to such matters; and the availability of alternative sources of audit evidence.

A9. When management has used a management’s expert in preparing the financial statements, the auditor’s decision on whether to use an auditor’s expert may also be influenced by such factors as:

• The nature, scope and objectives of the management’s expert’s work.
• Whether the management’s expert is employed by the entity, or is a party engaged by it to provide relevant services.
• The extent to which management can exercise control or influence over the work of the management’s expert.
• The management’s expert’s competence and capabilities.
• Whether the management’s expert is subject to technical performance standards or other professional or industry requirements.
• Any controls within the entity over the management’s expert’s work.

9 SA 220 (Revised), paragraph A21.
SA 500 (Revised)\(^{10}\) includes requirements and guidance regarding the effect of the competence, capabilities and objectivity of management’s experts on the reliability of audit evidence.

**Nature, Timing and Extent of Audit Procedures (Ref: Para. 8)**

A10. The nature, timing and extent of audit procedures with respect to the requirements in paragraphs 9-13 of this SA will vary depending on the circumstances. For example, the following factors may suggest the need for different or more extensive procedures than would otherwise be the case:

- The work of the auditor’s expert relates to a significant matter that involves subjective and complex judgments.
- The auditor has not previously used the work of the auditor’s expert, and has no prior knowledge of that expert’s competence, capabilities and objectivity.
- The auditor’s expert is performing procedures that are integral to the audit, rather than being consulted to provide advice on an individual matter.
- The expert is an auditor’s external expert and is not, therefore, subject to the firm’s quality control policies and procedures.

**The Auditor’s Firm’s Quality Control Policies and Procedures (Ref: Para. 8(e))**

A11. An auditor’s internal expert may be a partner or staff, including temporary staff, of the auditor’s firm, and therefore subject to the quality control policies and procedures of that firm in accordance with SQC \(^{11}\). Alternatively, an auditor’s internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control policies and procedures with the auditor’s firm.

A12. An auditor’s external expert is not a member of the engagement team and is not subject to quality control policies and procedures in accordance with SQC \(^{12}\). Some law(s) or regulation(s), however, may require that an auditor’s external expert be treated as a member of the engagement team, and may therefore be subject to relevant ethical and other professional requirements, including those relating to independence, as determined by such law(s) or regulation(s)\(^{13}\).

A13. Engagement teams are entitled to rely on the firm’s system of quality control, unless information provided by the firm or other parties suggests otherwise\(^{14}\). The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the auditor’s procedures with respect to such matters as:

\(^{10}\) SA 500 (Revised), paragraphs 8 and A34-A48.

\(^{11}\) Proposed Revised SQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, paragraph 12(f).

\(^{12}\) Proposed Revised SQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, paragraph 12(f).

\(^{13}\) Relevant ethical requirements ordinarily comprise the Code of Ethics of the Institute of Chartered Accountants of India related to an audit of financial statements.

\(^{14}\) SA 220 (Revised), paragraph 4.
Competence and capabilities, through recruitment and training programs.

Objectivity. Auditor's internal experts are subject to relevant ethical requirements, including those pertaining to independence.

The auditor's evaluation of the adequacy of the auditor's expert's work. For example, the firm's training programs may provide auditor's internal experts with an appropriate understanding of the interrelationship of their expertise with the audit process. Reliance on such training and other firm processes, such as protocols for scoping the work of auditor's internal experts, may affect the nature, timing and extent of the auditor's procedures to evaluate the adequacy of the auditor's expert's work.

Adherence to regulatory and legal requirements, through monitoring processes.

Agreement with the auditor's expert.

Such reliance does not reduce the auditor's responsibility to meet the requirements of this SA.

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

A14. The competence, capabilities and objectivity of an auditor's expert are factors that significantly affect whether the work of the auditor's expert will be adequate for the auditor's purposes. Competence relates to the nature and level of expertise of the auditor's expert. Capability relates to the ability of the auditor's expert to exercise that competence in the circumstances of the engagement. Factors that influence capability may include, for example, geographic location, and the availability of time and resources. Objectivity relates to the possible effects that bias, conflict of interest, or the influence of others may have on the professional or business judgment of the auditor's expert.

A15. 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 (see paragraphs A11-A13)

A16. Matters relevant to evaluating the competence, capabilities and objectivity of the auditor's expert include whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation.

A17. Other matters that may be relevant include:

- The relevance of the auditor's expert's competence to the matter for which that expert's work will be used, including any areas of specialty within that expert's field. For example,
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A particular actuary may specialise in property and casualty insurance, but have limited expertise regarding pension calculations.

- The auditor’s expert’s competence with respect to relevant accounting and auditing requirements, for example, knowledge of assumptions and methods, including models where applicable, that are consistent with the applicable financial reporting framework.
- Whether unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures indicate that it may be necessary to reconsider the initial evaluation of the competence, capabilities and objectivity of the auditor’s expert as the audit progresses.

A18. A broad range of circumstances may threaten objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats, and intimidation threats. Safeguards may eliminate or reduce such threats, and may be created by external structures (for example, the auditor’s expert’s profession, legislation or regulation), or by the auditor’s expert’s work environment (for example, quality control policies and procedures). There may also be safeguards specific to the audit engagement.

A19. The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the auditor’s expert and the significance of the expert’s work in the context of the audit. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if a proposed auditor’s expert is an individual who has played a significant role in preparing the information that is being audited, that is, if the auditor’s expert is a management’s expert.

A20. When evaluating the objectivity of an auditor’s external expert, it may be relevant to:

(a) Inquire of the entity about any known interests or relationships that the entity has with the auditor’s external expert that may affect that expert’s objectivity.

(b) Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the auditor’s expert include:

- Financial interests.
- Business and personal relationships.
- Provision of other services by the expert, including by the organisation in the case of an external expert that is an organisation.
- In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor’s external expert about any interests or relationships with the entity of which that expert is aware.

Obtaining an Understanding of the Field of Expertise of the Auditor’s Expert (Ref: Para. 10)

A21. The auditor may obtain an understanding of the auditor’s expert’s field of expertise through the means described in paragraph A7, or through discussion with that expert.
A22. Aspects of the auditor’s expert’s field relevant to the auditor’s understanding may include:

- Whether that expert’s field has areas of specialty within it that are relevant to the audit (see paragraph A17).
- Whether any professional or other standards, and regulatory or legal requirements apply.
- What assumptions and methods, including models where applicable, are used by the auditor’s expert, and whether they are generally accepted within that expert’s field and appropriate for financial reporting purposes.
- The nature of internal and external data or information the auditor’s expert uses.

**Agreement with the Auditor’s Expert** (Ref: Para. 11)

A23. The nature, scope and objectives of the auditor’s expert’s work may vary considerably with the circumstances, as may the respective roles and responsibilities of the auditor and the auditor’s expert, and the nature, timing and extent of communication between the auditor and the auditor’s expert. It is therefore required that these matters are agreed between the auditor and the auditor’s expert regardless of whether the expert is an auditor’s external expert or an auditor’s internal expert.

A24. The matters noted in paragraph 8 may affect the level of detail and formality of the agreement between the auditor and the auditor’s expert, including whether it is appropriate that the agreement be in writing. For example, the following factors may suggest the need for more a detailed agreement than would otherwise be the case, or for the agreement to be set out in writing:

- The auditor’s expert will have access to sensitive or confidential entity information.
- The respective roles or responsibilities of the auditor and the auditor’s expert are different from those normally expected.
- Multi-jurisdictional legal or regulatory requirements apply.
- The matter to which the auditor’s expert’s work relates is highly complex.
- The auditor has not previously used work performed by that expert.
- The greater the extent of the auditor’s expert’s work, and its significance in the context of the audit.

A25. The agreement between the auditor and an auditor’s external expert is often in the form of an engagement letter. The Appendix lists matters that the auditor may consider for inclusion in such an engagement letter, or in any other form of agreement with an auditor’s external expert.

A26. When there is no written agreement between the auditor and the auditor’s expert, evidence of the agreement may be included in, for example:

- Planning memoranda, or related working papers such as the audit program.
- The policies and procedures of the auditor’s firm. In the case of an auditor’s internal expert, the established policies and procedures to which that expert is subject may
include particular policies and procedures in relation to that expert’s work. The extent of documentation in the auditor’s working papers depends on the nature of such policies and procedures. For example, no documentation may be required in the auditor’s working papers if the auditor’s firm has detailed protocols covering the circumstances in which the work of such an expert is used.

**Nature, Scope and Objectives of Work (Ref: Para. 11(a))**

A27. It may often be relevant when agreeing on the nature, scope and objectives of the auditor’s expert’s work to include discussion of any relevant technical performance standards or other professional or industry requirements that the expert will follow.

**Respective Roles and Responsibilities (Ref: Para. 11(b))**

A28. Agreement on the respective roles and responsibilities of the auditor and the auditor’s expert may include:

- Whether the auditor or the auditor’s expert will perform detailed testing of source data.
- Consent for the auditor to discuss the auditor’s expert’s findings or conclusions with the entity and others, and to include details of that expert’s findings or conclusions in a modified auditor’s report, if necessary (see paragraph A42).
- Any agreement to inform the auditor’s expert of the auditor’s conclusions concerning that expert’s work.

**Working Papers**

A29. Agreement on the respective roles and responsibilities of the auditor and the auditor’s expert may also include agreement about access to, and retention of, each other’s working papers. When the auditor’s expert is a member of the engagement team, that expert’s working papers form part of the audit documentation. Subject to any agreement to the contrary, auditor’s external experts’ working papers are their own and do not form part of the audit documentation.

**Communication (Ref: Para. 11(c))**

A30. Effective two-way communication facilitates the proper integration of the nature, timing and extent of the auditor’s expert’s procedures with other work on the audit, and appropriate modification of the auditor’s expert’s objectives during the course of the audit. For example, when the work of the auditor’s expert relates to the auditor’s conclusions regarding a significant risk, both a formal written report at the conclusion of that expert’s work, and oral reports as the work progresses, may be appropriate. Identification of specific partners or staff who will liaise with the auditor’s expert, and procedures for communication between that expert and the entity, assists timely and effective communication, particularly on larger engagements.

**Confidentiality (Ref: Para. 11(d))**

A31. It is necessary for the confidentiality provisions of relevant ethical requirements that apply to the auditor also to apply to the auditor’s expert. Additional requirements may be
imposed by law or regulation. The entity may also have requested that specific confidentiality provisions be agreed with auditor’s external experts.

**Evaluating the Adequacy of the Auditor’s Expert’s Work** (Ref: Para. 12)

A32. The auditor’s evaluation of the auditor’s expert’s competence, capabilities and objectivity, the auditor’s familiarity with the auditor’s expert’s field of expertise, and the nature of the work performed by the auditor’s expert affect the nature, timing and extent of audit procedures to evaluate the adequacy of that expert’s work for the auditor’s purposes.

**The Findings and Conclusions of the Auditor’s Expert** (Ref: Para. 12(a))

A33. 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; and
  - Re-performing calculations.
- Discussion with another expert with relevant expertise when, for example, the findings or conclusions of the auditor’s expert are not consistent with other audit evidence.
- Discussing the auditor’s expert’s report with management.

A34. Relevant factors when evaluating the relevance and reasonableness of the findings or conclusions of the auditor’s expert, whether in a report or other form, may include whether they are:

- Presented in a manner that is consistent with any standards of the auditor’s expert’s profession or industry;
- Clearly expressed, including reference to the objectives agreed with the auditor, the scope of the work performed and standards applied;
- Based on an appropriate period and take into account subsequent events, where relevant;
- Subject to any reservation, limitation or restriction on use, and if so, whether this has implications for the auditor; and
- Based on appropriate consideration of errors or deviations encountered by the auditor’s expert.

**Assumptions, Methods and Source Data**

*Assumptions and Methods* (Ref: Para. 12(b))
A35. When the auditor’s expert’s work is to evaluate underlying assumptions and methods, including models where applicable, used by management in developing an accounting estimate, the auditor’s procedures are likely to be primarily directed to evaluating whether the auditor’s expert has adequately reviewed those assumptions and methods. When the auditor’s expert’s work is to develop an auditor’s point estimate or an auditor’s range for comparison with management’s point estimate, the auditor’s procedures may be primarily directed to evaluating the assumptions and methods, including models where appropriate, used by the auditor’s expert.

A36. SA 540 (Revised) discusses the assumptions and methods used by management in making accounting estimates, including the use in some cases of highly specialised, entity-developed models. Although that discussion is written in the context of the auditor obtaining sufficient appropriate audit evidence regarding management’s assumptions and methods, it may also assist the auditor when evaluating an auditor’s expert’s assumptions and methods.

A37. When an auditor’s expert’s work involves the use of significant assumptions and methods, factors relevant to the auditor’s evaluation of those assumptions and methods include whether they are:

- Generally accepted within the auditor’s expert’s field;
- Consistent with the requirements of the applicable financial reporting framework;
- Dependent on the use of specialised models; and
- Consistent with those of management, and if not, the reason for, and effects of, the differences.

Source Data Used by the Auditor’s Expert (Ref: Para. 12(c))

A38. When an auditor’s expert’s work involves the use of source data that is significant to that expert’s work, procedures such as the following may be used to test that data:

- Verifying the origin of the data, including obtaining an understanding of, and where applicable testing, the internal controls over the data and, where relevant, its transmission to the expert.
- Reviewing the data for completeness and internal consistency.

A39. In many cases, the auditor may test source data. However, in other cases, when the nature of the source data used by an auditor’s expert is highly technical in relation to the expert’s field, that expert may test the source data. If the auditor’s expert has tested the source data, inquiry of that expert by the auditor, or supervision or review of that expert’s tests may be an appropriate way for the auditor to evaluate that data’s relevance, completeness, and accuracy.

Inadequate Work (Ref: Para. 13)

A40. If the auditor concludes that the work of the auditor’s expert is not adequate for the
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auditor’s purposes and the auditor cannot resolve the matter through the additional audit procedures required by paragraph 13, which may involve further work being performed by both the expert and the auditor, or include employing or engaging another expert, it may be necessary to express a modified opinion in the auditor’s report in accordance with SA 705 because the auditor has not obtained sufficient appropriate audit evidence.

Reference to the Auditor’s Expert in the Auditor’s Report (Ref: Para. 14-15)

A41. 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.

A42. 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.

Modifications vis-a-vis ISA 620, “Using the Work of an Auditor’s Expert”

The Revised SA 620, “Using the Work of an Auditor’s Expert” does not contain any modifications vis-à-vis ISA 620.

Appendix (Ref: Para. A25)

Considerations for Agreement between the Auditor and an Auditor’s External Expert

This Appendix lists matters that the auditor may consider for inclusion in any agreement with an auditor’s external expert. The following list is illustrative and is not exhaustive; it is intended only to be a guide that may be used in conjunction with the considerations outlined in this SA. Whether to include particular matters in the agreement depends on the circumstances of the engagement. The list may also be of assistance in considering the matters to be included in an agreement with an auditor’s internal expert.

Nature, Scope and Objectives of the Auditor’s External Expert’s Work

• The nature and scope of the procedures to be performed by the auditor’s external expert.
• The objectives of the auditor’s external expert’s work in the context of materiality and risk considerations concerning the matter to which the auditor’s external expert’s work relates, and, when relevant, the applicable financial reporting framework.
• Any relevant technical performance standards or other professional or industry requirements the auditor’s external expert will follow.
• The assumptions and methods, including models where applicable, the auditor’s external expert will use, and their authority.
• The effective date of, or when applicable the testing period for, the subject matter of the auditor’s external expert’s work, and requirements regarding subsequent events.

The Respective Roles and Responsibilities of the Auditor and the Auditor’s External Expert

• Relevant auditing and accounting standards, and relevant regulatory or legal requirements.

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- The auditor’s external expert’s consent to the auditor’s intended use of that expert’s report, including any reference to it, or disclosure of it, to others, for example reference to it in a modified auditor’s report, if necessary, or disclosure of it to management or an audit committee.
- The nature and extent of the auditor’s review of the auditor’s external expert’s work.
- Whether the auditor or the auditor’s external expert will test source data.
- The auditor’s external expert’s access to the entity’s records, files, personnel and to experts engaged by the entity.
- Procedures for communication between the auditor’s external expert and the entity.
- The auditor’s and the auditor’s external expert’s access to each other’s working papers.
- Ownership and control of working papers during and after the engagement, including any file retention requirements.
- The auditor’s external expert’s responsibility to perform work with due skill and care.
- The auditor’s external expert’s competence and capability to perform the work.
- The expectation that the auditor’s external expert will use all knowledge that expert has that is relevant to the audit or, if not, will inform the auditor.
- Any restriction on the auditor’s external expert’s association with the auditor’s report.
- Any agreement to inform the auditor’s external expert of the auditor’s conclusions concerning that expert’s work.

Communications and Reporting
- Methods and frequency of communications, including:
  - How the auditor’s external expert’s findings or conclusions will be reported (written report, oral report, ongoing input to the engagement team, etc.).
  - Identification of specific persons within the engagement team who will liaise with the auditor’s external expert.
- When the auditor’s external expert will complete the work and report findings or conclusions to the auditor.
- The auditor’s external expert’s responsibility to communicate promptly any potential delay in completing the work, and any potential reservation or limitation on that expert’s findings or conclusions.
- The auditor’s external expert’s responsibility to communicate promptly instances in which the entity restricts that expert’s access to records, files, personnel or experts engaged by the entity.
- The auditor’s external expert’s responsibility to communicate to the auditor all information that expert believes may be relevant to the audit, including any changes in circumstances previously communicated.
- The auditor’s external expert’s responsibility to communicate circumstances that may create threats to that expert’s objectivity, and any relevant safeguards that may eliminate or reduce such threats to an acceptable level.

Confidentiality
- The need for the auditor’s expert to observe confidentiality requirements, including:
  - The confidentiality provisions of relevant ethical requirements that apply to the auditor.
  - Additional requirements that may be imposed by law or regulation, if any.
  - Specific confidentiality provisions requested by the entity, if any.