

## **Announcement on AAS 9, “Using the Work of an Expert”**

Members are sometimes required to use the work of an expert as audit evidence while carrying out attest functions, for example, that of an engineer, a lawyer etc. The Council of the Institute of Chartered Accountants of India had issued the Auditing and Assurance Standard (AAS) 9, “Using the Work of an Expert” in December 1999 for the guidance of the members. The Standard discusses the auditor’s responsibility in relation to, and the procedures the auditor should consider, in using the work of an expert as audit evidence.

While carrying out audits, especially bank audits, it is common for a member to refer to the reports of valuers and use the same as audit evidence. The following is aimed at guiding the members in applying the requirements of AAS 9 while using the work (reports) of a valuer, especially in cases of bank borrowings:

### ***Skills and competence of the valuer***

A member should satisfy himself as to the skills and competence of the valuer. For this purpose, the member should consider the valuer’s professional qualifications, the fact whether the valuer is a member/licentiate of an appropriate professional body as also the experience and reputation of the valuer in the field in which the evidence is sought.

### ***Objectivity of the valuer***

The members should bear in mind the fact that the risk of impairment of the objectivity of the valuer is higher if the valuer is employed by the client or in case the valuer is in any way related to the client. In such a case, the members should, after evaluating the materiality, nature and complexity of the item in question, availability of alternate audit evidence available as well as the skills and competence of the valuer, consider whether there is a need to perform more extensive procedures than planned earlier; or there is a need to engage another valuer

### ***Terms of engagement of the valuer***

For evaluating the work performed by the valuer, it is essential that the member obtains an understanding as to the terms of engagement of the valuer and other matters such as objective and scope of the valuer’s work, general outline of the items covered in the valuation report, confidentiality of the valuation report, relationship of the valuer with the client, and the confidentiality of the client’s information used by the valuer.

### ***Valuation report as audit evidence***

Thereafter, the member should evaluate the appropriateness of the valuation report as audit evidence by evaluating the factors such as the appropriateness of the source data used by the valuer, the underlying assumptions and methods used and their consistency with the prior period; and the results contained in the valuation report *vis a vis* the member’s overall knowledge of the business and the results of his procedures.

For the purpose of evaluating the appropriateness of the source data used by the valuer, the member should, *inter alia*, enquire the valuer as to how he has satisfied himself that the source data is sufficient, relevant and reliable. The member should also conduct audit procedures on the data provided by the client to the valuer to obtain reasonable assurance that the data are appropriate.

Though a member may not normally have the same level of expertise as a valuer to assess the appropriateness and sufficiency of the assumptions and methods used by the valuer, he should obtain an understanding of these assumptions and methods. The member should then determine whether the assumptions and methods are reasonable *vis a vis* the member’s overall knowledge of the business and the results of his procedures

The member should also satisfy himself that the substance of the valuer’s findings is properly reflected in the financial statements.

### ***Inconsistency***

In exceptional cases, where the findings in the valuation report do not support the related representations in the financial statements. The member should try and resolve the inconsistency by discussions with the client and the valuer; or applying additional procedures; or engaging another expert. If after performing the above procedures, the member concludes that the valuation report is inconsistent with the information in the financial statements or that the valuation report does not constitute sufficient appropriate evidence, the member should express a qualified opinion or a disclaimer of opinion or an adverse opinion, as appropriate.