

GENERAL CLARIFICATION (GC)–AASB/1/2002 ON SA 620

Standard on Auditing (SA) 620, Using the Work of an Expert

{The following is the General Clarification (GC)-AASB/1/2002 issued by the Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India on Standard on Auditing (SA) 620, "Using the Work of an Expert."}

1. Paragraph 12 of SA 620 provide as under:

"12. The appropriateness and reasonableness of assumptions and methods used and their application are the responsibility of the expert. The auditor does not have the same expertise and, therefore, cannot always challenge the expert's assumptions and methods. However, the auditor should obtain an understanding of those assumptions and methods to determine that they are reasonable based on the auditor's knowledge of the client's business and on the results of his audit procedures."

2. The auditor while verifying the accrued liability for retirement benefits or for Group Gratuity Schemes has to use the work of an another expert, i.e., actuary or the insurer itself. In such a case, the issue to be considered is whether it is sufficient for the auditor to rely on the certificate given by insurer or actuary without establishing the reasonableness of the assumptions made by the actuary or the insurer based on the auditor's knowledge of the client's business. It is clarified that the auditor should, while using the certificate issued by the actuary or the insurer, obtain an understanding of the methods used by the actuary or the insurer in determining the liability and should also judge the appropriateness and reasonableness of assumptions, for example, with regard to the following:

- (i) Rate of Return
- (ii) Number of Employees
- (iii) Retirement Age
- (iv) Salaries
- (v) Promotion Policies
- (vi) Age of Employees