

EXPERTS INCLUSION IN THE AUDIT FOR BETTER AUDIT REPORTS

Ass. Professor **Janka Dimitrova**, Faculty of Economics, University “Goce Delcev” Stip, Republic of Macedonia

Ass. Professor **Olivera Gorgieva-Trajkovska**, Faculty of Economics, University “Goce Delcev” Stip, Republic of Macedonia

Ass. Professor **Alexander Kostadinovski**, Faculty of Economics, University “Goce Delcev” Stip, Republic of Macedonia

Abstract

Audit education and experience enables the auditor to learn about issues related to the work of the auditor general but are not required to possess expert knowledge that otherwise has educated or qualified person to be engaged in the practice of any other profession or occupation. The auditor has not the same expertise and therefore can't always challenging assumptions and methods of the expert but the auditor should obtain and review the assumptions and methods used to assess whether they are appropriate and logical based on the audit knowledge of the business operations and the results of other audit procedures.

Keywords: auditor, expert audit procedures, methods, tests

Introduction

During the audit process for the entity being audited, the auditor depending on the entity activity, in order to ensure sufficient and appropriate audit evidence to express better audit opinion might involve experts (individual or organization) in the relevant area. With the experts inclusion during the audit, the responsibility for opinions expressed for the truthfulness and accuracy of the financial statements that are audited, is on the auditor.

The auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by using the work of the auditor's expert by the auditor. However, if the auditor uses the work of an expert and the auditor concludes that the work of that expert is adequate for the purposes of the auditor, may accept expert findings or conclusions of the expert's field as appropriate audit evidence.

The auditor shall determine whether to use the work of an expert auditor, and if used, to determine whether that work is adequate for the purposes of the auditor. Expert auditor is a person or organization that has special skills in a field that is not accounting or auditing, and whose work is used by the auditor to assist the auditor in obtaining sufficient appropriate audit

evidence. The auditor's expert may be either an internal expert auditor (who is a partner or other employees, including temporary employees of the audit company or another company of auditor's network) or external expert auditor.

Determining the need for auditor expert

The risks of material misstatement may increase when expertise is needed in a field which is not accounting for management to prepare financial statements, as they may indicate some complexity, or because management may not have knowledge of the field of expertise. If in preparing of the financial statements management does not possess the necessary expertise to cover such risks can be used expert on leadership. Relevant controls, including controls that relate to the work of expert management, if any, may also reduce the risks of material misstatement.

If the preparation of financial statements involves the use of expertise that is not accounting, auditor, possessing skills in accounting and auditing, may not possess the necessary expertise to audit such financial statements. The engagement partner is required to ensure that the team engaged, and any auditor's experts who are not part of the team engaged, together to have the appropriate competence and capabilities to perform the audit engagement. The auditor is required to determine the nature, timing and scope of resources needed to carry out the engagement.

Audit assurance whether to use the work of an expert auditor, the scope which helps the auditor in fulfilling these requirements. As the audit progresses, or as circumstances changed, the auditor may need to reconsider previous decisions regarding the use of expert work of the auditor.

Auditor who is an expert in the relevant area which is not accounting or auditing may be able to gain sufficient understanding of the area to perform an audit without an expert auditor. This understanding can be obtained by:

- Experience in auditing entities that require such expertise in the preparation of their financial statements.
- Education or professional development in the specific area.

This may include formal courses, or conversation with individuals who have expertise in the relevant area to increase its capacity of auditor for dealing with issues of the area. Such conversation is different from consulting expert auditor in relation to a specific set of circumstances that is facing with during the engagement, when such expert is given all the relevant facts that will enable the expert to give informed advice regarding specific issue.

- Discussion with auditors who carried out similar engagements.

In other cases, the auditor may determine that it is necessary, or can choose to use the auditor's expert to assist in obtaining sufficient appropriate audit evidence. The considerations when deciding whether to use the auditor's expert may include:

- Does the management use management expert in the preparation of financial statements.
- The nature and significance of the issue, including its complexity.
- The risks of material misstatement of the issue.
- The expected nature of procedures in response to identified risks, including: audit knowledge and experience working with experts in relation to such matters, and the availability of alternative sources of audit evidence.

When the management has used management expert in the preparation of the financial statements, the auditor's decision on whether to use expert auditor can also affect factors such as:

- The nature, scope and objectives of the work of the management expert.
- Is the management's expert employed by the entity, or is a party engaged by it to provide relevant services.
- The scope to which management can have control or influence the work of the management expert.
- Competence and capabilities of the management expert.
- Does the management expert subject to technical performance standards or other professional requirements, or requirements of the activity.
- Some kind of controls within the entity over the work of the management expert.

When determining the need for using the work of an expert auditor should consider the following:

- The importance of the item in the financial report under consideration;
- The risk of misstatements based on the nature and complexity of the question treated;
- The quantity and quality of other evidence available.

Even 40 % of banks in the world today, for the purposes of their IT audits engage external specialists. When planning the use of an expert work, the auditor should evaluate professionals and competency experts.

If for obtaining sufficient appropriate audit evidence expertise in an area that is different from the accounting and audit is needed, the auditor should determine whether to use the work of an expert auditor. The nature, timing and scope of audit procedures vary depending on the circumstances. In determining the nature, timing and scope of such procedures, the auditor should consider issues include:

- The nature of the question which concerns the work of the expert;
- The risks of material misstatement of the issue which concerns the work of the expert;
- The significance of the work of the expert in the context of the audit;
- Audit knowledge and experience, previous work done by the expert, and
- Is that expert subject to the policies and procedures for control of the quality of the audit company.

The auditor should evaluate whether the expert has the necessary competence, capabilities and objectivity in relation to the objectives of the auditor. In case of an external expert auditor objectivity of the assessment should include inquiry regarding interests and relationships that may create a threat to the objectivity of the expert.

Expertise in an area that is not accounting and auditing may include expertise on issues such as:

- Valuation of complex financial instruments, land and buildings, plant and machinery, jewelry, works and works of art, antiques, intangible assets, assets acquired and liabilities assumed in business combinations and assets that may be impaired.

- Actuarial calculation of liabilities associated with insurance contracts or plans for employee benefits.

- Estimation of reserves of oil and gas.

- Evaluation of environmental liabilities and costs for cleaning the environment.

- Interpretation of contracts, laws and regulations.

- Analysis of complex or unusual tax compliance issues.

Competence, capabilities and objectivity of the auditor's expert

Competence, capabilities and objectivity of the auditor's expert are factors that significantly affect whether the work of the auditor's expert will be adequate for the purposes of the auditor. Competence relates to the nature and level of expertise of the auditor's expert. Capability refers to the ability of the auditor's expert to exercise that competence in the circumstances of the engagement. Factors affecting the ability may include geographic location, and availability of time and resources.

Objectivity relates to the possible effects that bias, conflict of interest or influence of others that may have on the professional or business judgment of the auditor's expert. Information regarding the competence, capabilities and objectivity of the auditor's expert may come from various sources, such as:

- Personal experience with previous expert works.

- Conversations with the expert.

- Discussions with other auditors or others who are familiar with the work of the expert.

- Knowledge qualifications, membership of professional body or association of activity, work permit, or other forms of external recognition of the expert.

- Published papers or books by that expert.

- Policies and procedures for quality control of the company auditor.

Issues relevant to the assessment of competence, capabilities and objectivity of the auditor's expert include whether the work of the expert is subject to technical performance standards or other professional requirements,

or requirements of the activity, for example, ethical standards and other requirements for membership in professional bodies or associations of activity, accreditation standards of a licensing body, or requirements imposed by law or regulation.

Past experiences show that auditors rarely use the services of an expert auditor. Auditors should in all necessary situations to practice expert assistance in order to obtain better audit reports.

Reference to expert auditor in the audit report

The auditor should not point to the work of the expert auditor in the audit report containing unmodified opinion unless a law or regulation is not required to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor's report pointing out that does not diminish the responsibility of the auditor in relation to the audit opinion.

If the auditor pointed to the work of the expert auditor in the audit report because such reference is relevant for understanding some modification in the audit opinion, the auditor shall indicate in the auditor's report that such reference does not diminish the responsibility of the auditor in relation to that opinion.

Conclusion

- The financial statements have been reviewed to determine that they do not contain material false presentations.
- The nature, timing and scope of audit procedures vary depending on the circumstances.
- The auditor cannot have knowledge of all areas and activities in areas where doing the audit.
- The auditor can hire an expert auditor to provide sufficient and appropriate audit evidence to express an opinion.
- Competence, capabilities and objectivity of the auditor's expert are factors that significantly affect whether the work of the auditor's expert will be adequate for the purposes of the auditor.
- The auditor should evaluate whether the expert has the necessary competence, capabilities and objectivity in relation to the objectives of the auditor.
- Auditors rarely use the services of an expert auditor, in order to provide better audit reports.

Bibliography

1. Aceski, B., Trajkovski, B., "Internal and external audit", University "St. Kliment Ohridski" - Bitola, Faculty of Economics - Prilep, 2004;
2. Dimitrova J.: Information function of audited financial statements in mobilizing capital through the issuance of securities, PhD, Faculty of Economics in Prilep, 2010
3. Nikolovski, P., "Internal and external audit", University "St. Kliment Ohridski" - Bitola, Faculty of Economics - Prilep 2009, p.75
4. Revision I; Institute of Certified Auditors of the Republic of Macedonia
5. Revision II; Institute of Certified Auditors of the Republic of Macedonia, 2009;
6. International Audit Standards