

# KAEG-I [INTL VERSION 2024]: ISA 620 Using the Work of an Auditor's Expert Contents

## KAEG-I [INTL VERSION]: ISA 620 Using the Work of an Auditor's Expert [ISA | KAEGISA620]

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# ISA 620 Using the Work of an Auditor's Expert

[View the Full Chapter for this Standard](#)

## *ISA 620 Using the Work of an Auditor's Expert*

(Effective for audits of financial statements for periods beginning on or after December 15, 2009)

International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

## Introduction, Objectives, Definitions

## International Standards on Auditing: ISA 620.01-06

## Introduction

## Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to the work of an individual or organization 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 ISA does not deal with:
  - (a) Situations where the engagement team includes a member, or consults an individual or organization, with expertise in a specialized area of accounting or auditing, which are dealt with in ISA 220 (Revised);<sup>1</sup> or
  - (b) The auditor's use of the work of an individual or organization 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 ISA 500.<sup>2</sup>

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<sup>1</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraphs A19.

<sup>2</sup> ISA 500, *Audit Evidence*, paragraphs A34-A48.

## 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 ISA, 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 ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

## 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 ISAs, the following terms have the meanings attributed below:
  - (a) 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<sup>3</sup> 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 organization 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.

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3 "Partner" and "firm" should be read as referring to their public sector equivalents where relevant.

## ISA Application and Other Explanatory Material: ISA 620.A1-A3

### Application and Other Explanatory Material

#### Definition of an 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 specialized 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 ISA as this constitutes accounting expertise; the latter is an expert for the purposes of this ISA 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 specialized 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.<sup>4</sup>

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4 For example, International Education Standard 8, *Competence Requirements for Audit Professionals*, may be of assistance.

A3. It is necessary to apply judgment when considering how the requirements of this ISA are affected by the fact that an auditor's expert may be either an individual or an organization. For example, when evaluating the competence, capabilities and objectivity of an auditor's expert, it may be that the expert is an organization the auditor has previously used, but the auditor has no prior experience of the individual expert assigned by the organization 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 organization that expert has joined. In either case, both the personal attributes of the individual and the managerial attributes of the organization (such as systems of quality control the organization implements) may be relevant to the auditor's evaluation.

## Determining the need for an Auditor's Expert

### International Standards on Auditing: ISA 620.07

#### 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)

### ISA Application and Other Explanatory Material: ISA 620.A4-A9

#### 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, the applicable financial reporting framework and the, entity's system of 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 determine that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement.<sup>5</sup> Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement.<sup>6</sup> 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, the auditor may need to revise earlier decisions about using the work of an auditor's expert.

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5 ISA 220 (Revised), paragraph 25-28.

6 ISA 300, *Planning an Audit of Financial Statements*, paragraph 8(e).

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.<sup>7</sup>
- Discussion with auditors who have performed similar engagements.

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7 ISA 220 (Revised), paragraph A99-A102.

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.

ISA 500<sup>8</sup> includes requirements and guidance regarding the effect of the competence, capabilities and objectivity of management's experts on the reliability of audit evidence.

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8 ISA 500, paragraph 8.

## How do we comply with the Standards?

[ISA | KAEGHDWC]

### 1 Involve specific team members and specialists as appropriate [ISA | 970]

#### What do we do?

Involve specific team members and specialists as appropriate

#### Why do we do this?

To plan and resource the audit appropriately, we determine whether and how to involve specific team members and specialists.

### Execute the Audit

[How do we involve specific team members and specialists?](#) [ISA | 970.1500]

We involve specific team members and specialists by:

- [determining whether to involve specific team members and specialists](#)
- [performing procedures if specific team members or specialists participate in the audit](#)

### 1.1 Determine whether to involve specific team members and specialists [ISA | 971]

#### What do we do?

Determine whether to involve specific team members and specialists, to perform risk assessments, plan or perform audit procedures, or evaluate audit results

#### Why do we do this?

The entities we audit engage in different businesses and types of transactions. Therefore, we often encounter situations where it's appropriate to involve specific team members and specialists. They can help us:

- understand the entity and its environment, including its internal control;
- identify and assess RMMs;

- plan and perform audit procedures; and
- evaluate the sufficiency and appropriateness of audit evidence obtained.

Identifying these situations enables us to plan:

- when the specific team members and specialists will be involved;
- what required workpapers and consultations will be completed; and
- how we supervise and evaluate specific team members and specialists.

## Execute the Audit

[How do we determine whether to involve specific team members and specialists?](#) [ISA | 971.10817]

We determine whether to involve specific team members and specialists by following this activity and [involving specific team members with expertise in Tax and IT, as appropriate](#).

[Who are specific team members and specialists?](#) [ISA | 971.1300]

Specific team members and specialists include:

- specific team members (e.g. professionals in IT Audit, Tax);
- employed KPMG specialists (e.g. professionals employed by KPMG with specialized skills or knowledge in fields other than accounting and auditing);
- engaged KPMG specialists (e.g. professionals who are engaged by KPMG with specialized skills or knowledge in fields other than accounting and auditing); or
- management's specialists (e.g. professionals who are engaged or employed by management with specialized skills or knowledge in fields other than accounting and auditing)

Employed KPMG specialists, engaged KPMG specialists and management's specialists are collectively referred to as "specialists".

[Who are 'specialists'?](#) [ISA | 971.10818]

Specialists are those individuals who possess specialized skills or knowledge in a field other than accounting or auditing. Specialists are also referred to as 'experts' in some auditing standards. Either management or KPMG can employ or engage them.

[Who are 'specific team members'?](#) [ISA | 971.10819]

Our engagement team may include specific team members with specialized skills or knowledge in accounting or auditing, such as professionals with knowledge of income tax, IT and other complex accounting issues.

Sometimes these specific team members are also called 'specialists'. However, because they don't meet the auditing standards' definitions as a specialist or an expert, we treat them as members of the engagement team.

Specific team members do not include those with specialized skills or knowledge who are only involved on a consultation basis - e.g. DPP, KPMG Accredited Sampling Professional, etc.

[What are differences and similarities between specific team members and specialists?](#) [ISA | 971.10820]

The differences and similarities between specific team members and specialists are set out in the table below.

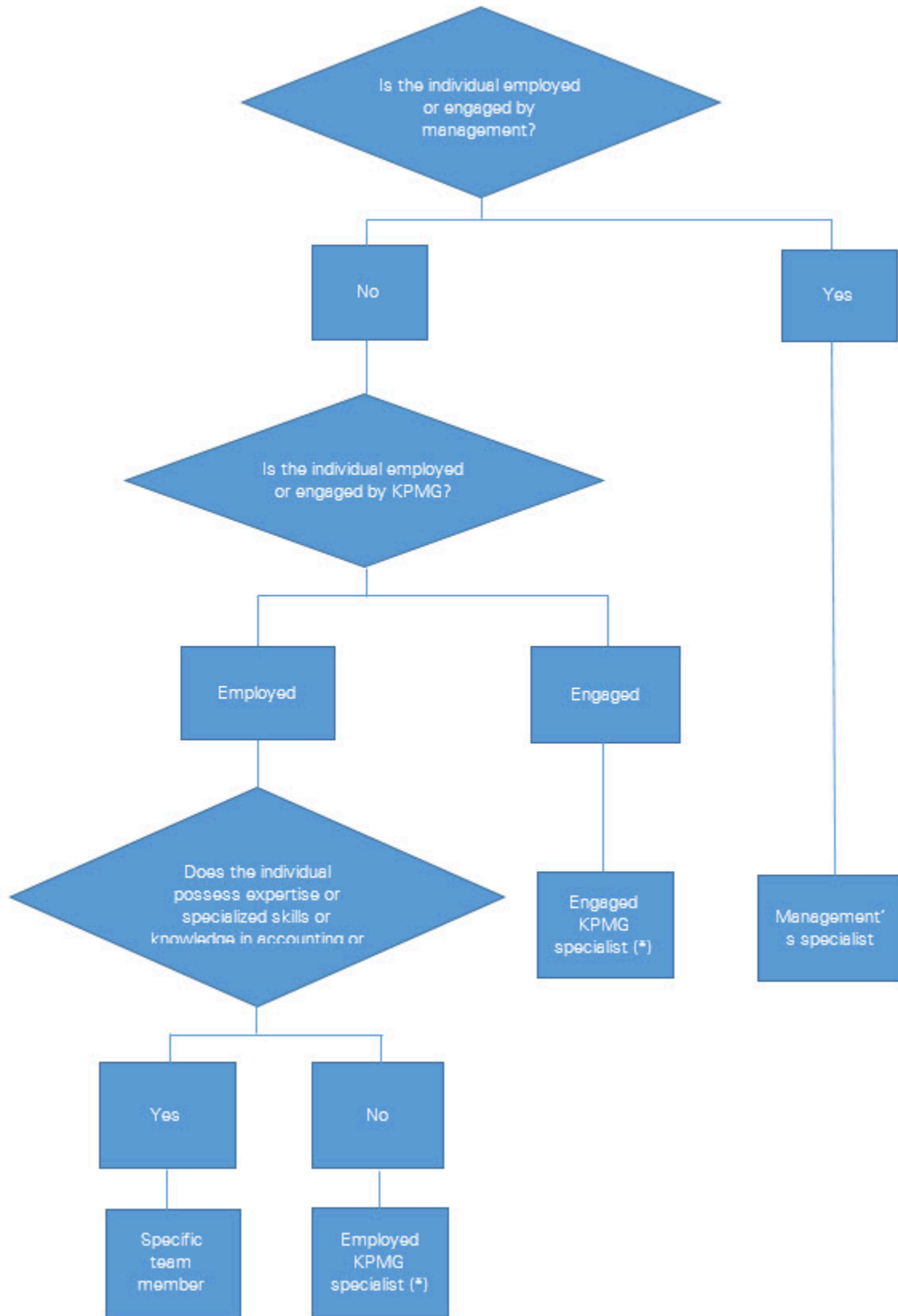


	Type of professional			
Roles	Specific team member	Employed KPMG specialists	Engaged KPMG specialists	Management's specialists
Have expertise in accounting or auditing?	Yes	No	No	No
Have expertise in a field other than accounting or audit?	No	Yes	Yes	Yes
Is a member of the engagement team?	Yes	Yes	No	No
Work is used by the entity in the preparation of financial statements?	No	No	No	Yes
Work is used by us to assist in obtaining sufficient appropriate audit evidence?	Yes	Yes	Yes	Yes

What are the categories of professionals with specialized skills or knowledge we might use in the audit?

[ISA | 971.1400]

The following decision tree can help us categorize the professionals with specialized skills or knowledge we may interact with in the audit.



This categorization can affect how we work with these professionals, including how we supervise and/or interact with them and evaluate the results of their work

## How do we identify when it is appropriate to involve professionals with specialized skills or knowledge?

[ISA | 971.10821]

Throughout the entire audit, we determine whether to involve specialized skills or knowledge by thinking about a number of factors.

Stages of the audit	Factors we think about
<b>Pre-engagement activities</b>	<ul style="list-style-type: none"> <li>• Client and engagement acceptance and continuance</li> <li>• Completion of firm standard workpapers, where applicable (see <a href="#">this activity for US workpapers</a>)</li> </ul>
<b>Management activities</b>	<ul style="list-style-type: none"> <li>• Whether management has used a specialist to help them prepare the financial statements</li> <li>• Whether the specialist is employed by management or is engaged by management to provide relevant services to management</li> <li>• Whether management can exert control over or influence the specialist's work</li> <li>• Whether the entity has implemented controls over the specialist's work</li> </ul>
<b>Complex audit areas</b>	<ul style="list-style-type: none"> <li>• Whether specialty areas are relevant to the audit, such as areas in which complex valuations or actuarial determinations are needed</li> <li>• The nature and significance of audit matters, including their complexity</li> <li>• The assessed risks of material misstatement associated with the audit matter</li> <li>• The expected nature of procedures to respond to identified risks, including whether alternative sources of audit evidence are available</li> </ul>

## How does client acceptance and continuance help us identify the appropriate skills or knowledge? [ISA |

971.10822]

During the client and engagement acceptance and continuance process, we consider specific risks and complexities for the client and audit engagement.

Reviewing the outputs from our client and engagement acceptance and continuance process - along with other information we collect during that process - helps us identify areas in which we may involve specific team members or specialists with the appropriate skills and knowledge.

[Do we always involve specific team members and/or specialists in complex areas of the audit?](#) [ISA | 971.10823]

Not always. In some cases, we have or can obtain a sufficient understanding of the subject matter to perform the audit without involving another person.

This understanding may be based on:

- our experience in auditing other entities that require similar skills, knowledge and experience;
- our own education or professional development in the particular field, which may include formal courses;
- discussion with people possessing skills, knowledge and experience in the field that enhances our own capacity to deal with matters in that field; and
- discussion with auditors who have performed similar engagements.

## Examples

[What are the types of specific team members with specialized skills in accounting or auditing?](#) [ISA | 971.1500]

The following table provides examples of the types of specific team members with specialized auditing and accounting skills, along with audit areas in which we commonly involve them.

Types	Examples of common audit areas
Specific team members with expertise in Tax	<ul style="list-style-type: none"> <li>• Evaluating the accounting or reporting for federal, foreign, state and local income, and other taxes, including valuation of: <ul style="list-style-type: none"> <li>- deferred tax assets and liabilities; and</li> <li>- valuation of tax contingency accruals</li> </ul> </li> <li>• Evaluating tax calculations and positions, including related income statement and balance sheet accounts and financial statement presentation and disclosure</li> </ul>
Specific team members with expertise in IT	<ul style="list-style-type: none"> <li>• Understanding an entity's information system, related business processes relevant to the preparation of the financial statements, and the flow of transactions, including understanding IT systems and service organizations</li> <li>• Understanding and testing automated controls, including general IT controls that support the effective operations of automated controls</li> <li>• Performing walkthroughs</li> <li>• Evaluating changes to IT systems or implementation of new IT systems</li> </ul>

	<ul style="list-style-type: none"> <li>Evaluating audit evidence available in electronic form only, and performing related audit procedures</li> <li>Designing and/or applying computer-assisted audit techniques</li> </ul>
Specific team members with expertise in the application of accounting standards (e.g., Accounting Advisory Services)	<ul style="list-style-type: none"> <li>Analyzing and evaluating the terms and conditions in specified contracts and agreements, and the associated accounting implications</li> <li>Evaluating the impact of adopting new accounting standards, including disclosure requirements</li> <li>Evaluating potential acceptable alternative accounting treatments for a specified transaction</li> </ul>
Specific team members with expertise in Forensics	<ul style="list-style-type: none"> <li>Evaluating our documentation regarding the identification of fraud risk factors and fraud risks</li> <li>Evaluating the designed response to assertion level fraud risks and the associated RMM due to fraud</li> </ul>

What are the types of employed KPMG specialists and engaged KPMG specialists? [ISA | 971.15090]

The following table provides examples of the types of employed KPMG specialists and engaged KPMG specialists and audit areas in which we commonly involve them.

Types of professionals	Examples of common audit areas
Specialists with expertise in actuarial determinations and third-party actuaries	<ul style="list-style-type: none"> <li>Evaluating actuarial calculations of liabilities associated with insurance contracts or employee benefit plans, including evaluating assumptions and models</li> </ul>
Specialists with expertise in long-term construction contracts	<ul style="list-style-type: none"> <li>Evaluating reporting for long-term construction contracts principally related to the probable recovery of revenue associated with claims and change orders</li> <li>Evaluating management assumptions used to estimate costs to complete long-term contracts</li> </ul>
Specialists with expertise in valuation of environmental liabilities	<ul style="list-style-type: none"> <li>Evaluating the valuation of environmental liabilities and asset retirement obligations, principally related to:</li> </ul>

	<ul style="list-style-type: none"> <li>- environmental technical, regulatory and site visit evaluations;</li> <li>- review of management's approach; and</li> <li>- the process for determining management's exposures and benchmark analysis</li> </ul>
Specialists with expertise in valuation services	<ul style="list-style-type: none"> <li>• Evaluating the fair value, including assumptions and models, of certain assets and liabilities, including: <ul style="list-style-type: none"> <li>- tangible and intangible assets; assets acquired and liabilities assumed in a business combination;</li> <li>- assets that may have been impaired; and</li> <li>- valuations prepared for use in goodwill or other impairment assessments of non-financial assets</li> </ul> </li> <li>• Evaluating the valuation and reporting of share-based compensation arrangements</li> </ul>
Specialists with expertise in regulatory risk	<ul style="list-style-type: none"> <li>• Evaluating the appropriateness of a financial institution's (e.g. bank and/or bank-holding entity's) risk-based capital calculations relative to Financial Services - Regulatory Risk Advisory Practice's understanding of the applicable bank regulatory requirements</li> <li>• Reviewing regulatory, internal audit function, or credit review reports to help us identify risks</li> <li>• Evaluating the adequacy of our planned procedures over higher-risk loan portfolios or components of the allowance for loan losses</li> <li>• Evaluating the entity's internal or external loan review process, including risk-rating policies</li> <li>• Evaluating the entity's allowance methodology, including the</li> </ul>

	<p>reasonableness of loss factors and qualitative assumptions used</p> <ul style="list-style-type: none"> <li>• Performing credit file reviews (or evaluating the adequacy of credit file reviews performed by us), and evaluating the appropriateness of management's loan grading conclusion</li> <li>• Evaluating the entity's modeling procedures and mathematical processes used to estimate the allowance for loan losses for homogeneous loan portfolios - including, for example, mortgages, auto loans and leases, credit cards, installment and small business loans</li> <li>• Evaluating loss and prepayment assumption methodologies used for calculations related to homogeneous loan portfolios</li> <li>• Evaluating asset-backed securitization valuations</li> <li>• Evaluating high credit risk matters, including: <ul style="list-style-type: none"> <li>- the reliability of credit risk rating processes;</li> <li>- identification of problem assets;</li> <li>- appraisal management;</li> <li>- credit administration;</li> <li>- underwriting; and</li> <li>- loan loss reserving</li> </ul> </li> <li>• Evaluating model governance reviews and the valuation models used by the entity</li> <li>• Evaluating the accounting, valuation, and reporting of derivatives and hedging activities</li> <li>• Evaluating the fair value of other financial instruments</li> </ul>
Third-party attorneys	<ul style="list-style-type: none"> <li>• Interpreting contracts, laws and regulations</li> </ul>

Third-party engineers	<ul style="list-style-type: none"> <li>• Evaluating the amount of oil, gas and other mineral reserves</li> <li>• Determining physical characteristics related to quantity on hand or condition - for example, quantity or condition of minerals, or materials stored in stockpiles</li> </ul>
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## Using the Work of An Auditor's Expert

### International Standards on Auditing: ISA 620.08-15

#### 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 ISA 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 system of quality management. (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 additional 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 auditor's 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)

## ISA Application and Other Explanatory Material: ISA 620.A10-A42

### 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 ISA 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 system of quality management.

### *The Auditor's Firm's System of Quality Management (Ref: Para. 8(e))*

A11. An auditor's internal expert may be a partner or staff (i.e. personnel), including temporary staff, of the auditor's firm, and therefore subject to the system of quality management of that firm in accordance with ISQM 1<sup>9</sup> or national requirements that are at least as demanding.<sup>10</sup> An auditor's internal expert may also be a partner or staff, including temporary staff, of a network firm, and is subject to the firm's policies or procedures for network requirements and network services in accordance with ISQM 1. In some instances, the auditor's internal expert of a network firm may be subject to common quality management policies or procedures as the auditor's firm, given that they are part of the same network as the auditor's firm, given that they are part of the same network.

9 ISQM 1, *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 16(w).

10 ISA 220 (Revised), paragraph 3.

A12. ISQM 1 requires the firm to address the use of resources from a service provider, which includes the use of an external expert.<sup>70</sup> An auditor's external expert is not a member of the engagement team and may not be subject to the firm's policies or procedures under its system of quality management.<sup>72</sup> Furthermore, the firm's policies or procedures for relevant ethical requirements may include policies or procedures that apply to the auditor's external expert.<sup>73</sup> In some cases, relevant ethical requirements or law or regulation may require that an auditor's external expert be:

- Treated as a member of the engagement team (i.e., the external expert may be subject to relevant ethical requirements, including those related to independence); or
- Subject to other professional requirements

70 ISQM 1, paragraph 32

72 ISQM 1, paragraph 16(f)

73 ISQM 1, paragraph 29(b)

A13. As described in ISA 220 (Revised), quality management at the engagement level is supported by the firm's system of quality management and informed by the specific nature and circumstances of the audit engagement.<sup>12</sup> For example, the auditor may be able to depend on the firm's related policies or procedures in respect of:

- Competence and capabilities, through recruitment and training programs.
- Objectivity. Auditor's internal experts are subject to relevant ethical requirements, including those relating 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.

Matters that the auditor may take into account when determining whether to depend on the firm's policies or procedures are described in ISA 220 (Revised).<sup>76</sup> Depending on the firm's policies or procedures does not reduce the auditor's responsibility to meet the requirements of this ISA.

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<sup>12</sup> ISA 220 (Revised), paragraph A4.

<sup>76</sup> ISA 220 (Revised), paragraphs 4(b) and A10

## **The Competence, Capabilities and Objectivity of the Auditor's Expert (Ref: Para. 9)**

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 system of quality management (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, a particular actuary may specialize 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. Such threats may be addressed by eliminating the circumstances that create the threats, or applying safeguards to reduce threats to an acceptable level. There may also be safeguards specific to the audit engagement.

A19. The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the auditor's expert and the significance of the expert's work in the context of the audit. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to 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 it 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 organization in the case of an external expert that is an organization.

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 or procedures of the auditor's firm's system of quality management. In the case of an auditor's internal expert, the firm's system of quality management may include policies or procedures relating to the expert's work. The extent of documentation in the auditor's working papers depends on the nature of such policies or 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 the basis for a modified opinion in the 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
  - Reperforming 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. ISA 540<sup>13</sup> discusses the assumptions and methods used by management in making accounting estimates, including the use in some cases of highly specialized, 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.

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<sup>13</sup> ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, paragraphs 8, 13 and 15.

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 specialized 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 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 ISA 705 (Revised) because the auditor has not obtained sufficient appropriate audit evidence.<sup>14</sup>

<sup>14</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 6(b).

## 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.

## How do we comply with the Standards? [ISA | KAEGHDWC]

# 1 Determine whether and how we may use the work of an engaged KPMG specialist [ISA | 7683]

## What do we do?

Perform specific procedures to determine whether and how we may use the work of an engaged KPMG specialist



## Why do we do this?

Specialists help to provide specialized skill or knowledge that is necessary in the performance of our audit. We perform procedures to identify and contract with an appropriate specialist and determine the necessary extent of review of the specialist's work.

## Execute the Audit

### Who is a 'specialist'? [ISA | 7683.14104]

A specialist is an individual (or firm) that possesses special skill or knowledge in a particular field other than accounting or auditing whose work is used to assist us in obtaining sufficient appropriate audit evidence. While different auditing standards refer to these individuals (or firms) as 'specialists' or 'experts', we refer to them as 'specialists'.

### Are there different categories of specialists? [ISA | 7683.14108]

Yes. We categorize specialists into three types depending on their role and relationship to the audit engagement:

- employed KPMG specialists - specialists who are partners or employees of the KPMG member firm that performs the particular audit;
- engaged KPMG specialists - specialists who are not partners or employees of the KPMG member firm that performs the particular audit; and
- management's specialists - specialists who are either employed or engaged by the entity to assist management in the financial reporting process.

There are certain activities that we perform in the same way irrespective of whether a KPMG specialist is engaged or employed by our firm. Within those activities, we simply refer to the specialists as 'KPMG specialists' rather than 'employed KPMG specialists' and 'engaged KPMG specialists.'

### What are examples of parties engaged or employed by management or KPMG that do not qualify as 'specialists'? [ISA | 7683.14110]

Individuals (or firms) with special skill or knowledge in the field of accounting or auditing do not represent specialists. That includes accounting advisory services personnel retained by management or KPMG. In addition, because income taxes and information technology are considered specialized areas of accounting and auditing, individuals (or firms) with special skill or knowledge in these areas are generally not specialists either. Instead, we consider individuals employed by KPMG who have special skill or knowledge in these areas and who assist us in our audits to be 'specific team members.'

Certain individuals (or firms) may or may not be considered a specialist depending on the nature of their work. For example:

Relevant party	Represents a specialist when they...	Does not represent a specialist when they...
<b>Attorney</b>	Assist in the interpretation of a contractual provision or law	Provide information to the engagement team pursuant to a

	to help management or the auditor determine or evaluate the appropriate accounting or disclosure	letter of audit inquiry concerning litigation, claims and assessments.  However, if certain matters arising from the letter warrant further evaluation by an attorney that includes, for example, interpretation of a contractual provision or law that assists management in determination of appropriate accounting or disclosure, the attorney may represent a specialist for purposes of that further evaluation (see question ' <a href="#">Is a legal counsel consulted by an entity considered to be a 'specialist'?</a> ' for further guidance).
<b>Individual or firm with valuation expertise</b>	Apply their valuation expertise in making an estimate of fair value of securities for which there is no observable market	Provide price data regarding private transactions not otherwise available to the entity or the auditor, which the entity or the auditor then uses in its own estimation process or to develop an independent expectation of an estimate

[Can an individual \(or firm\) with a special skill or knowledge in the field of income taxes be considered a 'specialist' in any circumstances?](#) [ISA | 7683.14125]

Yes. There may be situations where the entity's accounting for income taxes or our audit procedures in this area may entail an interpretation of specialized areas of income tax law in order to determine appropriate accounting or disclosure under the applicable financial reporting framework. Individuals (or firms) retained by management or KPMG to lend their knowledge or skill in such areas could be considered specialists (e.g. legal specialists). At the same time, individuals (or firms) who then apply the findings and conclusions of these specialists in accounting for the entity's income taxes or related audit procedures would not be considered specialists.

[Do we treat a specialist who is a partner or employee of another KPMG member firm as an 'employed' or 'engaged' KPMG specialist?](#) [ISA | 7683.14126]

When an audit engagement team from one KPMG member firm intends to retain the services and directly use, on its own audit engagement, the work of a specialist from another KPMG member firm, we treat such specialists as 'engaged KPMG specialists' in order to facilitate appropriate contracting arrangements between the two member firms and for the purposes of evaluating the specialist's knowledge, skill, and ability as well as his or her independence and objectivity.

[When do we use a specialist in the audit?](#) [ISA | 7683.14127]

We perform the activity, '[Involve specific team members and specialists as appropriate](#)' to decide when we will use a specialist in the audit.

[When do we engage a specialist from outside KPMG?](#) [ISA | 7683.14128]

We engage a specialist from outside the firm when we determine that specialized skill or knowledge is necessary in the performance of our audit and there are no specialists employed by KPMG who could address that need.

[What procedures do we perform to determine whether we may use the work of an engaged KPMG specialist?](#) [ISA | 7683.14129]

To determine whether we may use the work of an engaged KPMG specialist, we:

- [perform specific procedures to subcontract with an engaged KPMG specialist](#);
- [assess the knowledge, skill and ability of the engaged KPMG specialist](#); and
- [assess the objectivity of the engaged KPMG specialist](#).

## 1.1 Perform specific procedures to contract with an engaged KPMG specialist [ISA | 7684]

### What do we do?

Perform specific procedures in accordance with policies and procedures outlined in the Risk Management Manual - U.S. or Global Quality & Risk Management Manual to contract with an engaged KPMG specialist (i.e., a specialist from outside of KPMG).

### Why do we do this?

When we engage a specialist from outside of KPMG (i.e., an engaged KPMG specialist) to perform work to assist us in the performance of an audit engagement, they are subject to the same independence and professional requirements that we are when providing audit services. Therefore, we perform certain procedures prior to engaging a specialist from outside of KPMG to determine whether they meet all requirements to be able to serve on an audit engagement.

## Execute the Audit

[How do we engage a specialist from outside of KPMG \(i.e., an engaged KPMG specialist\)?](#) [ISA | 7684.14211]

We engage specialists from outside of KPMG to assist us in our audit engagement by following the local Risk Management policies and procedures. Those policies and procedures differ upon whether the specialist engaged:

- is an individual contractor or subcontractor;
- is or works for a legal entity (e.g., a corporation, professional corporation, partnership, or limited liability company) that has no affiliation to KPMG; or
- works for another KPMG member firm.

[What do we do when we want to use a specialist from another KPMG member firm?](#) [ISA | 7684.14230]

When engaging a specialist who is a partner or employee of another KPMG member firm to assist us directly in our own audit engagement, we follow the policies and procedures within [Chapter 9 of the Global Quality & Risk Management Manual](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81> and any additional local Risk Management policies and procedures.

## 1.2 Assess the knowledge, skill and ability of the engaged KPMG specialist [ISA | 7685]

### What do we do?

Assess the knowledge, skill and ability of the engaged KPMG specialist, including the entity that employs the specialist, in the particular field for the type of work under consideration

### Why do we do this?

We do not engage and use the work of a specialist from outside of KPMG who does not have a sufficient level of knowledge, skill and ability. In addition, we consider the engaged KPMG specialist's level of knowledge, skill and ability when determining the necessary extent of review and evaluation of the specialist's work. Therefore, we perform certain procedures to assess the engaged KPMG specialist's knowledge, skill, and ability.

We perform these procedures with reference to both the individual who will perform the work on the audit engagement and the firm that employs the specialist, if any. We assess the professional qualifications of the firm that employs the specialist because a strong reputation and standing of the specialist's employer in the specialized field can be a signal that the employer maintains qualified staff. On the other hand, an employer with a poorer reputation or less expertise in the specialized field can indicate that more scrutiny of the qualifications of the individual specialist is warranted.

## Execute the Audit

[Is assessing the knowledge, skill and ability of the engaged KPMG specialist the same as evaluating the specialist's competence and capabilities?](#) [ISA | 7685.14271]

Yes. Some auditing standards use the term 'competence and capabilities' whereas other standards refer to 'knowledge, skill and ability'. However, these two terms are interchangeable and address the same subject matter, namely qualifications of the specialist to produce work that is suitable for our purposes and supports our conclusions regarding the relevant RMMs.

[Can we rely solely on firm-level processes for screening and evaluating the knowledge, skill and ability of engaged KPMG specialists?](#) [ISA | 7685.14272]

No. The fact that KPMG's system of quality management may have a firm-level process for screening and evaluating the knowledge, skill and ability of certain specialists engaged by the firm does not relieve our responsibility to assess whether the engaged KPMG specialist has the necessary knowledge, skill and ability for the particular audit engagement. The relevant facts and circumstances, including the nature, scope and objectives of the specialist's work, are considered in performing this assessment. However, we can use information from, and processes in, the firm's quality management

system as an input into, or a tool for, our assessment of the knowledge, skill and ability of the engaged KPMG specialist.

**What do we consider when assessing the knowledge, skill and ability of an engaged KPMG specialist, including the firm that employs the specialist, if any?** [ISA | 7685.14273]

When assessing an engaged KPMG specialist's knowledge, skill, and ability in the particular field for the type of work under consideration, we obtain an understanding of and evaluate the following factors with respect to both the specialist and the firm that employs the specialist, if any:

- The professional certification, license, or professional accreditation of the specialist in the particular field;
- The reputation and standing of the specialist in the particular field; and
- The specialist's experience in the type of work under consideration, including applicable areas of specialty within the specialist's field.

For example, a particular actuary may specialize in property and casualty insurance but have limited expertise regarding pension calculations.

**What other factors impact our assessment of the knowledge, skill and ability of an engaged KPMG specialist?** [ISA | 7685.14275]

The following factors impact our assessment of the knowledge, skill and ability of an engaged KPMG specialist:

- Membership requirements or accreditation standards of the relevant professional or licensing body or industry association;
- Requirements applicable to the specialist pursuant to legislation or regulation; and
- Existence of technical performance standards or other professional or industry requirements, for example ethical requirements, governing the work and reports of the specialist.

In addition, our evaluation of the engaged KPMG specialist's ability includes evaluating whether the specialist will be able to exercise his or her professional qualifications in the particular circumstances of the audit engagement. Factors that influence the engaged KPMG specialist's ability include, for example:

- Geographic location of the specialist; and
- Availability of time on the part of the specialist and resources necessary for the specialist to exercise his or her professional qualifications.

**Do we think about the engaged KPMG specialist's qualifications in the field of accounting or auditing?** [ISA | 7685.14277]

Yes. By definition, a specialist is an individual (or firm) who possesses special skill or knowledge in a particular field other than accounting or auditing. Accordingly, our evaluation of their knowledge, skill and ability is focused on that field. However, the engaged KPMG specialist'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) may also be a factor that we take into account when evaluating the specialist's level of

knowledge, skill and ability. It is particularly relevant to how we design the procedures necessary to review and evaluate the specialist's work.

For example, if we conclude that the specialist is not familiar with the requirements of the applicable financial reporting framework regarding the method to be used in developing an accounting estimate, we inform the specialist upfront of the relevant requirements and evaluate the specialist's ability to comply with these requirements. We may also accelerate the timing of when we perform our review and evaluation of the method used by the specialist.

**What are 'professional qualifications' that we consider in relation to the firm that employs the engaged KPMG specialist, if any?** [ISA | 7685.14279]

The professional qualifications of the firm that employs the engaged KPMG specialist refer primarily to the reputation and standing of the firm and its experience and expertise within the specialized field.

**How do the professional qualifications of the firm that employs the specialist, if any, affect the extent of other procedures we perform?** [ISA | 7685.14280]

Understanding the professional qualifications of the entity that employs the engaged KPMG specialist can help inform us about the knowledge, skill and ability of the specialist. A strong reputation and standing of the specialist's employer in the specialized field can be a signal that the employer maintains qualified staff. On the other hand, an employer with a poor reputation or little expertise in the specialized field can indicate that more scrutiny of the qualifications of the individual specialist is warranted.

**What else impacts our assessment of the professional qualifications of the firm that employs the engaged KPMG specialist?** [ISA | 7685.14281]

The following factors impact our assessment the professional qualifications of the firm that employs the engaged KPMG specialist:

- Membership requirements or accreditation standards of the relevant professional or licensing body or industry association; and
- Requirements applicable to the firm pursuant to legislation or regulation.

**Where might we obtain relevant information for our assessment of the professional qualifications of the engaged KPMG specialist, including the specialist's firm, if any?** [ISA | 7685.14282]

- Examples of potential sources of information that, if available, may be relevant to our assessment include:
- Information contained within KPMG related to the professional qualifications and reputation of the specialist in the relevant field and experience with previous work of the specialist, including by employed KPMG specialists;
- Information available through public sources, such as a broad internet search e.g., Google, LinkedIn) of the specialist to corroborate or disconfirm his/her assertions;
- Professional or industry associations and organizations, which may provide information regarding:

(1) qualification requirements, technical performance standards, and continuing professional education requirements that govern their members;

(2) the specialist's education and experience, certification, and license to practice; and

(3) recognition of, or disciplinary actions taken against, the specialist;

- Discussions with the specialist about matters such as the specialist's understanding of the financial reporting framework, the specialist's experience in performing similar work, and the methods, data and assumptions the specialist intends to use in the work to be performed;
- The specialist's responses to questionnaires about the specialist's professional credentials; and
- Published books or papers written by the specialist.

**How do we determine the nature, timing and extent of the procedures we perform when assessing the knowledge, skill and ability of the engaged KPMG specialist?** [ISA | 7685.14284]

When determining the nature, timing and extent of the procedures necessary to assess the knowledge, skill, and ability of the engaged KPMG specialist, we consider the nature of the matter to which the work of the specialist relates, the assessed risk of material misstatement in the matter to which the specialist's work relates, the significance of the specialist's work in the context of the audit, and our knowledge of, and experience with, previous work performed by the engaged KPMG specialist.

The below table illustrates how our procedures may be impacted by these factors.

Factor	More evaluation needed	Less evaluation needed
Nature of the matter to which the specialist's work relates	The work of the specialist relates to a significant finding or issue that involves subjective and complex judgments	The work of the specialist relates to more routine and straightforward procedures or less complex areas of the audit
Assessed risk of material misstatement in the matter to which the specialist's work relates	The work of the specialist relates to areas where inherent risk is assessed as Elevated or Significant	The work of the specialist relates to areas where inherent risk is assessed as Base
Significance of the work of the specialist in the context of the audit	The specialist's work is used in a significant way to support our conclusions about an assertion or a risk of material misstatement	The specialist's work is used to a lesser degree to support our conclusions about an assertion or a risk of material misstatement
Our knowledge of and experience with previous work performed	We have little or no experience working with the specialist	We have more experience working with the specialist in the past and on other engagements



Additionally, our understanding of the professional qualification of the entity that employs the specialist may affect the extent of the procedures we perform over the knowledge, skill and ability of the engaged KPMG specialist. And since the engaged KPMG specialist is not subject to our firm's system of quality management, we may perform more extensive procedures to assess the specialist's professional qualifications than would otherwise be the case.

**What affects the persuasiveness of evidence related to our assessment of the knowledge, skill and ability of an engaged KPMG specialist?** [ISA | 7685.14286]

Information used in our assessment of the knowledge, skill and ability of an engaged KPMG specialist may be more or less persuasive depending on its source. For example, relevant information from a source not affiliated with the specialist or our experience with previous work of the specialist generally provide more persuasive evidence than evidence from the specialist's uncorroborated representations about his or her professional credentials. Additionally, for more persuasive evidence, it may be appropriate to perform procedures to obtain evidence from multiple sources.

**Do we reconsider our assessment of the knowledge, skill and ability of the engaged KPMG specialist during the course of the audit?** [ISA | 7685.14287]

Yes, we reconsider our assessment of the engaged KPMG specialist throughout the audit. During the audit there could be unexpected events or changes in conditions, or the audit evidence obtained from the results of audit procedures performed may indicate that it is necessary to reconsider our initial evaluation of the knowledge, skill and ability of the engaged KPMG specialist.

**What if we determine that the engaged (or to be engaged) KPMG specialist does not have a sufficient level of knowledge, skill and ability?** [ISA | 7685.14288]

If we conclude that the engaged (or to be engaged) KPMG specialist does not have a sufficient level of knowledge, skill and ability to perform his or her assigned work, we do not engage such a specialist and do not use his or her work in our audit. Instead, we may look to engage a different external party with the specialized skill we have determined necessary for the engagement.

## 1.3 Assess the objectivity of the engaged KPMG specialist [ISA | 7686]

### What do we do?

Assess whether the engaged KPMG specialist has the necessary degree of objectivity to exercise impartial judgment on all issues encompassed by the specialist's work related to the audit.

### Why do we do this?

We evaluate the engaged KPMG specialist's objectivity to help us determine whether we may use the specialist's work as well as to determine the necessary nature and extent of our procedures to evaluate the data, relevant assumptions, and methods that the specialist is responsible for testing, evaluating or developing. A lack of the necessary degree of objectivity indicates that the engaged KPMG specialist's judgments may lack impartiality and, therefore, that it is not appropriate to use the specialist's work in our audit.



# Execute the audit

## Who do we include in our assessment of the engaged KPMG specialist's objectivity? [ISA | 7686.14320]

We focus our assessment of objectivity on the individual specialist who will perform work on the audit engagement. However, we also evaluate relationships between the entity under audit and both the specialist and the firm that employs the specialist, if any, to determine whether either has a relationship with the entity that may adversely affect the engaged KPMG specialist's objectivity. The firm that employs the specialist is relevant to our objectivity assessment because it might exert influence on the specialist based on the firm's relationship to the entity under audit or other conflicts of interest relevant to the work to be performed.

## How do we determine whether the engaged KPMG specialist has the necessary degree of objectivity to exercise impartial judgment? [ISA | 7686.14321]

We determine whether the engaged KPMG specialist has the necessary degree of objectivity to exercise impartial judgment on all issues encompassed by the specialist's work related to the audit by evaluating whether the specialist or the firm that employs the specialist, if any, has a relationship to the entity or other conflicts of interest relevant to the work to be performed and assessing the impact of these relationships or conflicts on the specialist's impartiality.

## What are some examples of and how we might identify 'other conflicts of interest?' [ISA | 7686.14322]

'Other conflicts of interest' may include conflicts arising from relationships with parties outside the entity. We remain alert for and may become aware of such conflicts during the performance of our audit procedures (e.g., through obtaining information about the specialist's professional reputation and standing, reading the specialist's report or performing procedures in other audit areas).

For example, in reviewing an appraisal of the collateral for a material loan receivable, we may become aware that the appraiser has a substantial financial interest in the collateral. If we become aware of a conflict of interest that could affect the specialist's judgments about the work performed, conclusions, or findings, we consider the effect of that conflict on the reliability of the specialist's work, and perform additional procedures if necessary to obtain sufficient appropriate evidence regarding the relevant financial statement assertion.

If we identify a conflict of interest through the performance of our audit, we evaluate how that conflict affects the objectivity of the engaged KPMG specialist in the same way we [assess the impacts of relationships between the specialist and the entity we have identified](#) that may affect the specialist's impartiality.

## What kind of relationships between an engaged KPMG specialist and the entity under audit do we consider in our assessment? [ISA | 7686.14323]

A variety of relationships between an engaged KPMG specialist and the entity under audit could affect the specialist's objectivity and result in undue influence on the specialist's work. Examples of relevant relationships that we consider include:

- Employment relationships;
- Financial interests, including stock holdings;
- Other ownership or financial interests, including lending relationships;

- Personal relationships, including family relationships;
- Relationships the specialist may have with entities acting as an agent of the entity under audit;
- Contractual relationships related to pre-existing or ongoing business relationships;
- Other services the engaged KPMG specialist provides to the client, including those provided by the larger organization when the specialist is a part of a larger organization (e.g., a firm or company);
- Other related party relationships, as defined by the financial reporting framework applicable to the entity under audit, such as being an affiliate of the entity.

In short, we are looking for the same types of relationships that could impair our own independence and objectivity.

How might we obtain relevant information for our assessment of an engaged KPMG specialist's objectivity, including relationships between the specialist and the entity? [ISA | 7686.14324]

Examples of potential sources of information that, if available, may be relevant to our assessment of the engaged KPMG specialist's objectivity include:

- Procedures we perform when engaging the specialist, as discussed in activity, '[Perform specific procedures to subcontract with an engaged KPMG specialist](#),'
- Information we obtain from procedures pursuant to the activities in the chapter on related parties ([ISA 550](#), [AU-C 550](#), [AS 2410](#));
- Engagement contracts between the entity and the specialist, or the specialist's employer;
- Responses to questionnaires provided to the specialist regarding relationships between the specialist, or the specialist's employer, and the entity;
- Written representations or other information provided by the specialist concerning relationships with the entity; and
- Disclosures about relationships with the entity in the specialist's report, or equivalent documentation, pursuant to requirements promulgated by the specialist's profession or by legislation, or regulation governing the specialist.

What other procedures do we perform to assess the engaged KPMG specialist's objectivity, including relationships to the entity? [ISA | 7686.14325]

As part of our assessment of the engaged KPMG specialist's objectivity, we perform the following additional procedures:

- We inquire of the entity under audit about any interests/relationships that the entity has with the specialist and the firm that employs the specialist, if any, that could create a threat to the specialist's objectivity; and
- At least annually, we obtain written confirmation that the engaged KPMG specialist, including the firm that employs the specialist, if any, is independent of the entity under audit.

How do we assess the relationships we identify between the entity and the engaged KPMG specialist?

[ISA | 7686.14328]

We assess the relationships we identify between the entity and the engaged KPMG specialist, including the specialist's firm, if any, in two respects:

- Do the relationships create circumstances that may adversely affect the specialist's objectivity on all issues encompassed by the specialist's work related to the audit? We may refer to these circumstances as "threats" to the specialist's objectivity.
- Are there effective safeguards in place to mitigate the identified threats to the specialist's objectivity?

**What circumstances or threats might impair the engaged KPMG specialist's objectivity?** [ISA | 7686.14329]

A broad range of circumstances may threaten objectivity of an engaged KPMG specialist. These threats can result from a variety of relationships between the specialist, including the specialist's firm, if any, and the entity we audit. The table below summarizes different types of threats we may encounter along with some relevant examples of relationships that may create those threats.

Type of threats	Definition	Example relationships giving rise to the threats
Self-interest threats	Threat of benefiting from having interest in the entity	Having a direct financial interest in the entity or indirect material financial interest
Advocacy threats	Threat of promoting an entity's interests or position	Promoting the entity's securities as part of an initial public offering
Familiarity threats (including close personal relationships)	Threat of becoming too sympathetic to the entity's interests or too accepting of the entity's work or product	Having an immediate family member or close relative in a key position at the entity, such as the entity's CEO
Self-review threats	Threat of not appropriately evaluating the results of work performed by itself or any team members	Preparing source documents used to generate the entity's financial statements
Adverse interest threats	Threat that a specialist will not act with objectivity because the specialist's interests are in opposition to the interests of the entity under audit	Either the entity or the specialist is involved in litigation against the other or expresses the intent to commence litigation

Management participation threats	Threat that a specialist will take on the role of management or otherwise assume management responsibilities for the entity	A specialist serving as an officer or a director of the entity we audit
Undue influence threats (intimidation threats)	Threat that management or other interested parties may coerce the specialist or exercise influence over the specialist	Management threatens to terminate a separate professional engagement with the specialist or their firm if they disagree with management's conclusions or viewpoints

**Can we use an engaged KPMG specialist who has a relationship to the client?** [ISA | 7686.14330]

Yes. Objectivity is an attribute that exists along a spectrum. Therefore, the existence of a relationship between the engaged KPMG specialist and the entity does not preclude our ability to use the specialist's work in our audit engagement. First, we evaluate whether the relationship creates circumstances that affect the specialist's objectivity, including considering any safeguards that are in place. Safeguards may eliminate or reduce such threats. Then, if the identified threats are not eliminated, we assess the degree to which the engaged KPMG specialist's objectivity may be impaired.

**What are examples of safeguards that we may consider in relation to the engaged KPMG specialist's objectivity?** [ISA | 7686.14331]

Safeguards represent measures designed to mitigate (but not necessarily eliminate) threats to the engaged KPMG specialist's objectivity. Safeguards can be put in place through external structures (for example, ethical and performance requirements promulgated by the specialist's profession or by legislation, or regulation governing the specialist) or the work environment of the specialist (for example, system of quality management within the specialist's firm).

**How do we assess the applicable safeguards in relation to the engaged KPMG specialist's objectivity?**

[ISA | 7686.14332]

Our evaluation of the significance of threats to objectivity and whether safeguards are necessary depends upon the role of the engaged KPMG specialist and the significance of their work in the context of the audit. Although a matter of professional judgment, stronger safeguards are necessary as the significance of the threat increases and when the work of the specialist is more important in the context of the audit.

There may be some circumstances in which the threat is of such significance that safeguards cannot reduce the threat to an acceptable level.

**What do we do if we conclude that the objectivity of the engaged KPMG specialist may be impaired?**

[ISA | 7686.14333]

If we believe the existing relationships or other conflicts of interest may affect the objectivity of the engaged KPMG specialist, we perform procedures in ['What do we do when the objectivity may be impaired?'](#).

Given the importance of an engaged KPMG specialist's objectivity, we exercise caution when deciding to engage or continue to use an engaged KPMG specialist where we identify relationships or other conflicts of interest that may impair the specialist's objectivity - regardless of the safeguards in place.

[Can we use an engaged KPMG specialist that is employed by the entity we audit?](#) [ISA | 7686.14334]

No. Having an employment relationship with an audit client causes a conflict of interest that can create an independence issue for KPMG.

[How do we determine the nature, timing and extent of the procedures we perform when assessing the objectivity of the engaged KPMG specialist?](#) [ISA | 7686.14335]

When determining the nature, timing and extent of procedures necessary to evaluate the level of objectivity of the engaged KPMG specialist, we consider the significance of the specialist's work to our conclusions and the related risk of material misstatement. The significance of the specialist's work refers to the degree to which we will use the work of the specialist to support our conclusions about an assertion or a risk of material misstatement.

As the significance of the specialist's work in the context of the audit and the related assessed risk of material misstatement increases, the evidence necessary to support our assessment of the specialist's objectivity also increases.

[What affects the persuasiveness of evidence related to our assessment of the objectivity of an engaged KPMG specialist?](#) [ISA | 7686.14336]

Information used in our assessment of the objectivity of an engaged KPMG specialist may be more or less persuasive depending on its source. For example, our review of engagement contracts between the entity and the specialist or the specialist's employer may provide more persuasive evidence than evidence from the specialist's or management's uncorroborated representations concerning relationships between the entity and the specialist. Additionally, for more persuasive evidence, it may be appropriate to perform procedures to obtain evidence from multiple sources.

[Do we reconsider our initial assessment of the engaged KPMG specialist's objectivity during the audit?](#)

[ISA | 7686.14337]

Yes. During the audit, unexpected events or changes in conditions, or the audit evidence obtained from the results of audit procedures may indicate that it is necessary to reconsider our initial assessment of the engaged KPMG specialist's objectivity.

## 2 Determine knowledge, skill and ability of employed KPMG specialists [ISA | 7600]

### What do we do?

Obtain the 'Knowledge, Skill and Ability Work Paper' and rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of employed KPMG specialists for our purposes.

## Why do we do this?

We do this because the audit is to be performed by a person or persons having adequate knowledge, skill and ability. This applies to any employed KPMG specialist that participates in the engagement.

## Execute the Audit

How does the engagement partner determine that employed KPMG specialists assigned to the audit engagement have the necessary knowledge, skill and ability for the particular engagement? [ISA |

7600.15314]

To determine that employed KPMG specialists assigned to the audit engagement have the necessary knowledge, skill and ability for the particular engagement, the engagement partner considers both:

- the information included in the Knowledge, Skill and Ability Work Paper - training, experience and professional qualifications and affiliations of employed KPMG specialists; and
- the KPMG member firm's system of quality management. This includes controls designed to reduce the risk to an acceptably low level that employed KPMG specialists do not have the knowledge, skill and ability to appropriately fulfil their role.

The engagement partner also thinks about the particular facts and circumstances of the engagement, including the nature, scope and objectives of the employed KPMG specialists' work.

For example, a valuation specialist who has experience in valuing oil and gas reserves, may not be the right candidate to value coal reserves.

Does the KPMG member firm's system of quality management relieve the engagement partner of their responsibilities? [ISA | 7600.15316]

Ordinarily the engagement partner may depend on the KPMG member firm's system of quality management, unless the engagement partner's understanding or experience indicates that the system of quality management is not in compliance with KPMG's global system of quality management or when information provided by the firm or others indicates that the system of quality management is not in compliance with KPMG's global system of quality management (e.g. annual evaluation of the system of quality management, results of external inspections).

However, an effective system of quality management does not relieve the engagement partner of their responsibility to determine whether the assigned employed KPMG specialists have the necessary knowledge, skill and ability for the particular audit engagement.

What do we do when we identify information that suggests that we cannot rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of employed KPMG specialists? [ISA | 7600.15320]

If we identify information that suggests that we cannot rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of employed KPMG specialists, we

perform the activity '[Assess the knowledge, skill and ability of the engaged KPMG specialist](#)', adapted as necessary, to determine the knowledge, skill and ability of employed KPMG specialists.

#### [What is the Knowledge, Skill and Ability Work Paper?](#) [ISA | 7600.15323]

The Knowledge, Skill and Ability Work Paper is a work paper where employed KPMG specialists document their training, experience and professional qualifications and affiliations.

The purpose of the Knowledge, Skill and Ability Work Paper is to provide the engagement partner with sufficient information to determine whether employed KPMG specialists have the necessary knowledge, skill and ability for the particular audit engagement.

This work paper is not necessary when the person's involvement is limited to consultation.

#### [Who completes the Knowledge, Skill and Ability Work Paper if more than one individual is involved?](#)

[ISA | 7600.15325]

If, for each type of employed KPMG specialist, more than one individual is involved in the audit engagement, only the 'lead team member' completes and signs off on the Knowledge, Skill and Ability Work Paper. The 'lead team member' is the employed KPMG specialist who has overall responsibility for that type of involvement in the engagement.

#### [Can employed KPMG specialists complete the Knowledge, Skill and Ability Work Paper once and use it for multiple audit engagements?](#) [ISA | 7600.15327]

Yes. Employed KPMG specialists may complete the Knowledge, Skill and Ability Work Paper once, update it as necessary and have it available to provide to audit engagement teams upon request. Recognizing that employed KPMG specialists may be involved in more than one audit engagement, the work paper has been designed so that the employed KPMG specialists can use it on multiple engagements.

However, employed KPMG specialists may deem it appropriate - or the engagement partner may request them - to adjust or supplement the information included in the work paper to more specifically reflect the circumstances of a particular engagement.

#### [Is Knowledge, Skill and Ability Work Paper tailored for different types of employed KPMG specialists?](#)

[ISA | 7600.15329]

No. The Knowledge, Skill and Ability Work Paper has been developed for any type of employed KPMG specialist. However, KPMG member firms may also develop work papers that are tailored to the work performed by each type of employed KPMG specialist.

#### [Can a KPMG member firm develop an equivalent work paper\(s\)?](#) [ISA | 7600.15331]

Yes. If a KPMG member firm has an equivalent work paper(s), the employed KPMG specialists use such work paper(s) instead.

#### [What do we do if an employed KPMG specialist's work is used by several auditors in a group audit?](#)

[ISA | 7600.15333]

In circumstances where an employed KPMG specialist's work is used by several auditors in a group audit - i.e. the employed KPMG specialist is involved by one auditor in a group audit, and that employed KPMG specialist performs work also for use by other auditors in the group audit - the engagement partner in each engagement team using the work of that employed KPMG specialist



individually evaluates and concludes whether the employed KPMG specialist has the necessary knowledge, skill and ability to perform the work for the specific purpose of their own engagement.

In other words, either:

- each engagement partner obtains the Knowledge, Skill and Ability Work Paper from the employed KPMG specialist and signs off on it for purposes of their own engagement; or
- one auditor obtains the Knowledge, Skill and Ability Work Paper from the employed KPMG specialist, and the other auditors request access to the work paper of the first auditor that involved the employed KPMG specialist. If:
  - we include in our audit file a copy of the Knowledge, Skill and Ability Work Paper signed off by another auditor participating in the group audit, the engagement partner also signs off on the work paper.
  - an engagement partner reviewed the other auditor's Knowledge, Skill and Ability Work Paper, but does not have a copy of that work paper, the engagement partner documents the results of that review in the Knowledge, Skill and Ability Work Paper, including a summary of the relevant training and experience.

What does the KPMG member firm's system of quality management include in aim to achieve quality objectives with respect that employed KPMG specialists possess knowledge, skill and ability? [ISA |

7600.15334]

The KPMG member firm's system of quality management includes controls designed to reduce the risk to an acceptably low level that employed KPMG specialists assigned to audit engagements as part of the engagement team, who have overall responsibility for the involvement in the engagement, do not have the knowledge, skill and ability to appropriately fulfil their role.

What do the policies and procedures consider? [ISA | 7600.15335]

The system of quality management's policies and procedures consider the employed KPMG specialists' professional qualifications, experience and training.

They, at a minimum, include that the person with overall responsibility for the involvement in the engagement complete training that addresses:

What does the training address?	Additional information
<p>The importance of employed KPMG specialists' role in the audit.</p> <p>This training includes:</p> <ul style="list-style-type: none"> <li>• the value of an audit and why it is of significant public interest;</li> <li>• how an audit engagement differs from an advisory engagement;</li> <li>• key concepts underlying the performance of an effective audit;</li> </ul>	<p>The form of training may vary by employed KPMG specialist provided that the required content elements are included.</p>



<ul style="list-style-type: none"> <li>the role and responsibilities of the employed KPMG specialists as a member of the engagement team.</li> </ul>	
<p>The professional standards and related updates that are relevant to the work the employed KPMG specialists perform in the audit.</p>	<p>The form and content of training relates to auditing standards and, where applicable, accounting standards. The topics depend on how the employed KPMG specialists will be involved in the audit.</p> <p>For example, training on the relevant aspects of the auditing standard related to estimates is appropriate for employed KPMG specialists assisting in auditing fair value measurements.</p>

## 3 Assess objectivity of the employed KPMG specialists [ISA | 7674]

### What do we do?

Assess objectivity of the employed KPMG specialists

### Why do we do this?

Before involving an employed KPMG specialist, we assess their objectivity. This helps us determine whether we may use the specialist's work as well as to determine the necessary nature and extent of our procedures to evaluate the specialist's work on the data, relevant assumptions, and methods that the specialist is responsible for testing, evaluating or developing.

### Execute the audit

**What might impact the employed KPMG specialist's objectivity to exercise impartial judgment?** [ISA | 7674.14213]

The objectivity of the employed KPMG specialist may be impaired if the specialist has any relationship to the entity or other conflicts of interest relevant to the work to be performed.

**What do we do to gain comfort that there are no relationships or other conflicts of interest that could impair the employed KPMG specialist's objectivity?** [ISA | 7674.14214]

Employed KPMG specialists are partners or employees of KPMG, therefore, they are subject to the same firm-established guidelines for independence as all other audit engagement team members. Ordinarily the engagement partner may depend on the KPMG member firm's system of quality management when it comes to their independence from our audit client, unless the engagement partner's understanding or experience indicates that the system of quality management would not be effective or when information provided by the firm or others indicates that the system of quality management is not operating effectively (e.g. annual evaluation of the system of quality management,

results of external inspections). We remain mindful that when employed KPMG specialists participate in an audit engagement, they become 'covered persons' with reference to the audit client and, as such, are subject to additional independence rules (see activity '[Remain ethical and independent during our audit engagements](#)' for more information). Complying with the applicable independence rules facilitates objectivity and impartiality of the employed KPMG specialist's judgments. Given the importance of maintaining independence in fact and in appearance and because circumstances may change during the course of our audit, we remain alert for any indicators of possible relationships or conflicts of interest that could impact the employed KPMG specialist's objectivity.

For example, we remain alert for and may inquire of the specialist of any personal relationships that he or she may have with personnel at the entity or any other services that the specialist may be providing to the entity and their potential impact on the specialist's impartiality.

#### What is a system of quality management (SoQM) and why is it important? [ISA | 7674.158545]

As described in International Standard on Quality Management 1 (ISQM 1), SoQM is a system designed, implemented and operated by a KPMG member firm to support the consistent performance of quality engagements by providing the KPMG member firm with reasonable assurance that:

- the KPMG member firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- engagement reports issued by the KPMG member firm or engagement partners are appropriate in the circumstances.

Each member firm has a responsibility to design, implement and operate SoQM in accordance with ISQM1.

In addition, KPMG International has established requirements that promote consistency across the KPMG network in the design, implementation, and operation of the member firms' systems of quality management (KPMG's Global SoQM). The Global Quality & Risk Management Manual (GQ&RMM) sets out relevant policies related to KPMG's Global SoQM designed to help member firms implement and operate a system of quality management that meets the requirements of ISQM 1. See [GQ&RMM Policy 3.1.2](#) <https://www.gqrrm-prod.kworld.kpmg.com/G/0/Content/5?jm=6-policy-24622> for further information.

#### What comprises KPMG member firm's system of quality management? [ISA | 7674.15423]

The system of quality management establishes quality objectives, identifies and assesses risks to the achievement of the quality objectives, and designs, implements and operates controls to address the quality risks. KPMG member firms are subject to a globally defined system of quality management as outlined in the Global Quality & Risk Management Manual that sets out global quality objectives, quality risks, process risk points and controls which include those established related to human resources, technological resources and intellectual resources used on relevant engagements.

#### Where are the related standards set? [ISA | 7674.14256]

The relevant standards for quality management are set out in the International Standard on Quality Management 1, Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and in the International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements.

## 4 Perform procedures if specific team members or specialists participate in the audit [ISA | 976]

### What do we do?

IF specific team members or specialists participate in the audit, THEN perform certain procedures

### Why do we do this?

We remain responsible for all aspects of the audit, even when we use specific team members and specialists.

We therefore perform specific procedures relating to those professionals, to help us oversee their work properly.

### Execute the Audit

What procedures do we perform when we decide to involve specific team members or specialists in the audit? [ISA | 976.1300]

When we decide to involve specific team members or specialists in the audit, we then:

- [document each professional's name and subject matter](#);
- [determine whether we have sufficient knowledge of the subject matter](#).

## 4.1 Document each professional's name and subject matter [ISA | 977]

### What do we do?

Document the name of each specific team member and specialists and the subject matter they will address

### Why do we do this?

Determining whether to involve professional(s) with specialized skills or knowledge is a helpful first step. We then identify who exactly will be involved, and the subject matter they will address.

This helps us involve these professionals in the audit from start to finish, especially as we plan the audit and perform our risk assessment procedures. Documenting their involvement helps us:

- inform the engagement team about those specific team members or specialists taking part in the engagement;
- properly supervise those specific team members or specialists; and
- evaluate whether we have appropriate resources engaged and available to help us at the right points in the audit.

### Execute the Audit

Where do we document the name and subject matter of the specific team member and specialists? [ISA | 977.1400]

We document this information electronically on a screen in KPMG Clara workflow, or in a hard copy that we attach to the electronic audit file.

## 4.2 Determine whether we have sufficient knowledge of the subject matter [ISA | 978]

### What do we do?

Determine whether we have sufficient knowledge of the subject matter to be addressed by specific team members or specialists, to meet our responsibility in performing the audit

### Why do we do this?

We involve specific team members and specialists in a number of circumstances. We also obtain sufficient knowledge of the subject matter these professionals will address so we can:

- properly communicate the objectives of their work;
- determine that their procedures meet our objectives; and
- evaluate the results of the procedures they perform.

In short, we cannot simply turn over part of the audit to these professionals without our obtaining sufficient knowledge regarding them.

## Execute the Audit

Who is responsible for involving specific team members and specialists? [ISA | 978.1300]

The engagement partner is responsible for involving specific team members, employed KPMG specialists, and engaged KPMG specialists, and determining whether their procedures meet our objectives.

How does understanding the subject matter help us meet this responsibility? [ISA | 978.1400]

Understanding the subject matter being addressed helps us to:

- properly supervise the work of specific team members of the engagement team;
- communicate the objectives of specific team members, employed KPMG specialists and engaged KPMG specialists;
- determine whether the procedures performed meet these objectives; and
- evaluate the results of the procedures performed as they relate to:
  - the nature, timing and extent of the other planned audit procedures; and
  - the effects on our report.

How do we obtain an understanding of the subject matter? [ISA | 978.1500]

We may obtain an understanding of the subject matter in several ways.

First, we may directly discuss the subject matter with specific team members with specialized skills in accounting or auditing or specialists.

We may also attend internal training, read independent research, or rely on our experience in auditing entities that require such expertise.

[Is a discussion to understand the subject matter with a specific team member or specialists the same as a consultation with that person?](#) [ISA | 978.10888]

No. A discussion to understand the subject matter with a specific team members or specialists are not the same as a consultation. In a consultation, we generally:

- focus a specific set of circumstances encountered on the engagement; and
- give them all the relevant facts so they can provide informed advice about the particular matter.

[What aspects of the subject matter may be relevant to our understanding?](#) [ISA | 978.10889]

Aspects of the subject matter that may be relevant to our understanding include:

- whether the professional has areas of specialty in their field that are relevant to the audit;
- whether professional or other standards, and regulatory or legal requirements apply;
- what assumptions, methods, and/or models the individual uses, and whether they are:
  - generally accepted in the their field;
  - appropriate for financial reporting purposes; and
  - approved for use by the firm (where applicable); and
- the nature of internal and external data or information the professional uses.

[How do we evaluate the results of the nature, timing, and extent of the audit procedures?](#) [ISA | 978.10891]

In evaluating the nature, timing and extent of the planned audit procedures we consider:

- performing inquiries
- reviewing the working papers and reports
- observing the work being performed
- confirming relevant data with third parties
- reperforming calculations

[What if we intend to use the work of management's specialists?](#) [ISA | 978.1600]

If we intend to use the work of management's specialists, we perform the same procedures to obtain sufficient knowledge of the subject matter as when specific team members, employed KPMG specialists and engaged KPMG specialists are involved.

In the case of management's specialists, it is less likely there will be a written agreement. Inquiry of the management's specialists and other members of management may be the most appropriate way for the auditor to obtain the necessary understanding and may help us determine whether the following are appropriate:

- the nature, scope, and objective of the professional's work;
- roles and responsibilities of management and that professional; and
- nature, timing and extent of communication between the entity and the professional, including the form of any report to be provided by the professional.

## 5 Inform the engaged KPMG specialist of various matters and implement coordination measures [ISA | 7687]

7687]

### What do we do?

Inform the engaged KPMG specialist of the work to be performed and matters that may affect their work, and implement measures for the coordination of their work.

### Why do we do this?

Once we have decided to use the work of a KPMG specialist, we establish expectations around what the KPMG specialist is responsible for and how the audit team and KPMG specialist will communicate throughout the audit. Proper planning and communication provide the KPMG specialist with information to help them timely execute and deliver the work we have requested them to perform.

### Execute the audit

How do we inform and coordinate with the KPMG specialist about the work to be performed? [ISA | 7687.14043]

7687.14043]

We perform the following:

- [Establish and document an understanding with the engaged KPMG specialist](#) ;
- [Inform the engaged KPMG specialist about relevant matters](#) ; and
- [Implement measures to properly coordinate with the engaged KPMG specialist](#) .

When do we begin communicating and coordinating with the KPMG specialist? [ISA | 7687.14046]

Once we have determined to use the work of a KPMG specialist and identified the appropriate specialist, we inform the specialist and begin coordination as soon as possible. Doing this early in the audit allows us to best use the work of specialists in the audit and leverage their expertise through the risk assessment process, testing of controls and substantive testing. We are also able to invite the specialists to meetings relevant to their work, such as the risk assessment and planning discussion or process walkthroughs, which influence how we design appropriately responsive audit procedures and obtain sufficient appropriate audit evidence.

## 5.1 Establish and document an understanding with the engaged KPMG specialist [ISA | 7688]

### What do we do?

Establish and document an understanding with the engaged KPMG specialist of the work to be performed

### Why do we do this?

While we may decide to involve a KPMG specialist to assist us in our audit, we retain responsibility for the audit and the audit opinion we express. Therefore, we inform the KPMG specialist about the work we want them to perform for us. Establishing and documenting an upfront agreement with the KPMG specialist helps us achieve consistency between what we expect of the specialist and what we actually receive from them.

## Execute the audit

What are the elements of understanding that we establish and document with the KPMG specialist? [ISA | 7688.14164]

We establish and document an understanding and agreement with the KPMG specialist regarding the following:

- The responsibilities of the specialist, including the objectives of the work to be performed;
- The nature of the work that the specialist is to perform or assist in performing;
- The degree of responsibility of the specialist for:
  - Testing data produced by the entity, or evaluating the relevance and reliability of data from sources external to the entity;
  - Evaluating the relevant assumptions used by the entity or the management's specialist, or developing his or her own assumptions; and
  - Evaluating the methods used by the entity or the management's specialist, or using his or her own methods;
- The responsibility of the specialist to provide a report, or equivalent documentation, that describes the work performed, the results of the work and the findings or conclusions reached by the specialist; and
- The responsibility of the KPMG specialist to observe confidentiality requirements.

What does 'nature of the work' that the specialist is to perform or assist in performing mean with respect to the agreement with the KPMG specialist?

The 'nature of the work' relates to the type and scope of the work we expect the KPMG specialist to assist us with (e.g., risk assessment, testing of controls over a particular process, substantive procedures) as well as the overall approach that the KPMG specialist will take when evaluating the matter for which we have requested the specialist's assistance. For example, we may request the KPMG specialist to evaluate, or assist us in evaluating, an accounting estimate in which case we agree with the specialist whether the specialist will test (or assist us in testing) the entity's process used to develop the accounting estimate or develop (or assist us in developing) an independent expectation of the estimate.

What does 'degree of responsibility' mean with respect to the agreement with the KPMG specialist?

The 'degree of responsibility' relates to decisions as to who (the audit engagement team or the KPMG specialist) will take the lead for evaluating what elements of the matter for which we have requested the specialist's assistance. For example, accounting estimates are comprised of many elements (data, assumptions and methods) and a clear understanding of who has responsibility for performing procedures over each element improves coordination of the work between us and the KPMG specialist, our supervision and review of the specialist's work and, ultimately, our ability to obtain sufficient appropriate audit evidence over estimates that give rise to an RMM.



However, regardless of the specialist's degree of responsibility, we remain responsible for reviewing the specialist's work and report, or equivalent documentation, and evaluating whether they provide sufficient appropriate audit evidence.

#### Do we expect each KPMG specialist to provide a written 'report'?

Not necessarily - there can be flexibility as to the form of deliverable from the specialist. It may be a comprehensive report, a sign-off memorandum supported by the specialist's work papers or some form of equivalent documentation. However, in all cases a written deliverable is provided by the KPMG specialist and includes sufficient information about the specialist's procedures, results and findings or conclusions to allow us to determine whether:

- The specialist's work and deliverables are in accordance with the upfront agreement we established with the specialist; and
- The specialist's findings or conclusions are consistent with the results of the work performed by the specialist, other evidence obtained by us and our understanding of the entity and its environment.

#### What matters might we specifically include in the agreement with the KPMG specialist? [ISA | 7688.14168]

The matters that are relevant to specifically include in the agreement with the KPMG specialist will vary from engagement to engagement and, if applicable, from estimate to estimate. The following table includes an illustrative list of matters we may consider including in the agreement with the KPMG specialist.

Element of understanding	Specific matters we may address in the upfront agreement with a KPMG specialist
The responsibilities of the specialist, including the objectives of the work to be performed	<ul style="list-style-type: none"> <li>• The objectives of the specialist's work (e.g., to assist in the testing or to develop an independent expectation of fair value of a financial instrument) in the context of audit materiality and risk considerations relevant to the matter to which the specialist's work relates.</li> <li>• The auditor's responsibility to exercise professional skepticism and hence the engaged KPMG specialist's responsibility to perform work with due skill and care.</li> <li>• The expectation that the specialist will use all knowledge they have that is relevant to the audit or, if not, will inform the engagement team.</li> </ul>
The nature of the work that the specialist is to perform or assist in performing	<ul style="list-style-type: none"> <li>• The nature and scope of the procedures to be performed by the specialist (e.g. their role in risk assessment, control testing and substantive procedures)</li> </ul>



	<ul style="list-style-type: none"> <li>• The overall approach to evaluating the matter for which we have requested the specialist's assistance (e.g., testing the entity's process or developing an independent expectation).</li> <li>• Relevant auditing and accounting standards, and relevant regulatory or legal requirements.</li> <li>• Any other relevant technical performance standards or other professional or industry requirements the specialist will follow.</li> </ul>
The degree of responsibility of the specialist for testing data and evaluating relevant assumptions and methods	<ul style="list-style-type: none"> <li>• When testing the entity's process, who (the audit engagement team or the specialist) will take the lead on testing or evaluating, where applicable: <ul style="list-style-type: none"> <li>- Specific data produced by the entity or obtained from external sources;</li> <li>- Specific relevant assumptions used by the entity or the management's specialist; and</li> <li>- Specific methods and/or models used by the entity or the management's specialist.</li> </ul> </li> <li>• When developing an independent expectation, responsibility of the specialist for: <ul style="list-style-type: none"> <li>- Any data the specialist generates or obtains from external sources; and</li> <li>- Any assumptions the specialist develops.</li> </ul> </li> <li>• The effective date of, or the testing period for, the subject matter of the specialist's work, and how consideration and evaluation of subsequent events will be treated.</li> </ul>
The responsibility of the specialist to provide a report, or equivalent documentation	<ul style="list-style-type: none"> <li>• The form and content of the deliverable that the specialist will provide at the conclusion of his or her work.</li> <li>• When the specialist will complete the work and report findings or conclusions to the auditor.</li> <li>• Ownership and control of working papers during and after the engagement, including any file retention requirements.</li> </ul>
The responsibility of the KPMG specialist to observe confidentiality requirements	<ul style="list-style-type: none"> <li>• The confidentiality provisions of relevant ethical requirements that apply to the auditor.</li> <li>• Additional requirements that may be imposed by law or regulation, if any.</li> </ul>

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>• Specific confidentiality provisions requested by the entity, if any.</li> </ul> |
|--|--|

### What else might we think about addressing in the agreement with a KPMG specialist?

Other matters that we may think about addressing in the upfront agreement with a KPMG specialist include:

- Expected levels of specialists to be involved in the audit;
- Subcontracting procedures to be followed if the specialist decides to engage another external specialist;
- Budgeted hours or fees allocated to the work of the specialist;
- Expectations regarding review of the specialist's work by a more experienced specialist; and
- Expected timeline for the specialist's work, including any interim milestones and the deadline for final deliverables.

### What else might we think about addressing in the agreement with an engaged KPMG specialist?

The following matters are unique to our relationship with an engaged KPMG specialist and we may think about addressing them in the upfront agreement with the specialist:

- The consent of the engaged KPMG specialist to our intended use of his or her report, or equivalent documentation, including any reference to it or disclosure of it to others (for example, in the basis for a modified opinion in our auditor's report, if necessary, or in a communication to management or the audit committee);
- Our access to the engaged KPMG specialist's work papers and vice versa;
- Any restriction on the engaged KPMG specialist's association with our auditor's report; and
- Any agreement to inform the engaged KPMG specialist of our conclusions concerning the work of the specialist.

### How do we evidence our agreement with the KPMG specialist? [ISA | 7688.14173]

Our written agreement with a KPMG specialist may be documented in a variety of ways including:

- A relevant screen in the KPMG Clara workflow, with sign-off from both the audit engagement team and the specialist; or
- A planning memorandum or other work paper that is created outside the workflow and manually signed by the specialist and the audit engagement team who then includes the document in the audit documentation. Approval of the document by the audit engagement team may also be evidenced through sign-off on the relevant KPMG Clara workflow screen.

Our written agreement with an engaged KPMG specialist may be included in the engagement letter with the specialist or supplemental document, both of which are included in our audit documentation.

## 5.2 Inform the engaged KPMG specialist about relevant matters [ISA | 7689]

### What do we do?

Inform the engaged KPMG specialist about relevant matters that could affect the specialist's work

## Why do we do this?

Once we have informed the KPMG specialist of the work they will perform, we arm them with the information necessary to execute that work. Their work is informed by their understanding of the entity and its processes specific to the matter they will be assisting us with, and a thorough understanding of those matters that affect their work will allow the specialist to execute their procedures in an efficient and effective manner.

## Execute the Audit

### What matters do we inform the KPMG specialist about? [ISA | 7689.14236]

We inform the specialist about matters that could affect their work. This includes, as applicable, information about:

- the entity and its environment;
- the entity's processes for determining the matter for which we have requested the specialist's assistance, including developing the related accounting estimate, if applicable;
- the entity's use of its own management's specialists in determining the matter, including developing the estimate;
- relevant requirements of the applicable financial reporting framework; and
- possible accounting and auditing issues.

### What other matters may we consider informing the KPMG specialist about?

There may be a variety of other matters that are relevant to the KPMG specialist's work, for example:

- materiality, performance materiality and audit misstatement posting threshold relevant to the subject matter of the specialist's work;
- the requirement to consider all relevant audit evidence, regardless of whether it supports or contradicts the relevant financial statement assertion;
- significant unusual transactions related to the matter for which we have requested the specialist's assistance;
- events and transactions subsequent to the date of determination of the matter, including measurement of an accounting estimate; and
- deficiencies in management's controls relevant to determination of the matter, including development of the accounting estimate, if applicable.

### Do we request an engaged KPMG specialist to apply professional skepticism?

Engaged KPMG specialists are not auditors and generally practice outside KPMG. As a result, the requirement of due professional care, including the application of professional skepticism, does not formally extend to these engaged specialists. However, we may decide to make the specialists aware of our responsibility to exercise professional skepticism and request that they perform their work with due skill and care.

### When do we inform the KPMG specialist about relevant matters? [ISA | 7689.14239]

We inform the KPMG specialist about relevant matters before they begin the work we have asked them to perform. In the same way we perform risk assessment procedures - which include obtaining

an understanding of the entity and its processes - before we perform control and substantive testing, the KPMG specialist obtains all available relevant information before they begin their work.

Additionally, as the audit progresses, new information may become available that is relevant to the specialist's work - for example, changes to circumstances previously communicated. Timely communication of that new information helps the specialist to efficiently and effectively perform their work. Therefore, we perform the activity, '[Implement measures to properly coordinate with the engaged KPMG specialist](#)'.

#### How do we inform the KPMG specialist about relevant matters? [ISA | 7689.14253]

We inform the specialist about relevant matters in various ways, but at a minimum:

- We either invite the specialist to attend our planning and risk assessment discussion (RAPD) or, after the RAPD, we communicate to the specialist relevant matters discussed during the RAPD that could affect the specialist's work.
- We share with the specialist, to the extent considered appropriate in the circumstances of the particular audit, our documentation regarding the RMMs identified with reference to the subject matter of the specialist's work, our CAR assessment for those identified RMMs and our planned audit approach to the RMMs, which may include, if applicable, relevant PRPs and controls to be tested, and our planned substantive procedures; in addition, for accounting estimates, we communicate to the specialist the data, assumptions and methods we have identified for the estimate. We consider the feedback provided by the specialist on these matters.

#### What are some other ways in which we may inform the KPMG specialist of relevant matters?

In addition to the above actions, there are some other ways we may inform the KPMG specialist of relevant matters, for example:

- We may meet with the specialist to discuss the various matters relevant to their work throughout the engagement.
- When we have determined to use the specialist during the planning phase of the audit, before we have executed our risk assessment procedures, we may include the specialist in the walkthrough of the process relevant to the subject matter of the specialist's work.

The leading practice for informing the specialist is using a combination of all of the above discussed methods and communicating the relevant information on a timely basis.

## 5.3 Implement measures to properly coordinate with the engaged KPMG specialist [ISA | 7690]

### What do we do?

Implement measures to determine that there is a proper coordination of the work of the engaged KPMG specialist with the work of relevant engagement team members

### Why do we do this?

Effective coordination facilitates the proper integration of the nature, timing and extent of the KPMG specialist's procedures with other work on the audit and appropriate modification of the specialist's

objectives during the course of the audit. It also provides the opportunity for us to monitor the specialist's progress throughout the audit and to understand whether the specialist performs their procedures in accordance with the applicable standards.

## Execute the audit

### What do we accomplish through proper coordination with the KPMG specialist? [ISA | 7690.14309]

Proper coordination between the KPMG specialist and relevant engagement team members helps us achieve a number of things that contribute to an effective audit, including:

- Timely communication of relevant matters between the KPMG specialist and the audit engagement team, such as:
  - Information that the specialist believes may be relevant to the audit or that the audit engagement team believes may be relevant to the specialist's work, including any changes in the relevant matters previously communicated to the specialist;
  - Errors identified by the specialist;
  - Potential delays in the specialist's completion of the agreed-upon work or any potential reservation or limitation on their findings or conclusions;
  - Instances in which the entity restricts the specialist's access to records, files, personnel or management's specialists; and
  - Circumstances that may create threats to the specialist's objectivity.
- Ability for the audit engagement team to determine that the procedures performed by the specialist are in compliance with the relevant auditing standards and related KAEG activities.
- Proper evaluation of the evidence obtained in reaching a conclusion about a matter for which we have requested the specialist's help.

### How do we coordinate with the KPMG specialist? [ISA | 7690.14310]

When we design our plan for appropriate coordination of work with the KPMG specialist, we perform the following:

- We agree with the KPMG specialist on the nature, timing, and extent of communication between us and the specialist; and
- We implement specific measures to coordinate the work of the KPMG specialist with the work of other relevant engagement team members to obtain reasonable assurance that the work, and the evidence it provides, complies with the relevant auditing standards and related KAEG activities. '

### What might we think about when determining and documenting the nature, timing and extent of communication with the KPMG specialist? [ISA | 7690.14311]

We may think about and come to agreement on the following when agreeing with the KPMG specialist on the nature, timing and extent of communication between us and the specialist:

- Identification of the specific people within the engagement team who will liaise with the KPMG specialist;
- Planned timeline for the engagement, including specific milestones, such as:
  - Planning meeting;
  - Dates PBCs / client documentation will be provided to the specialist;

- Expected date the KPMG specialist will provide a draft deliverable;
- Timing for the audit team's review of the specialist's work and deliverable;
- Timing of specialist's final deliverable;
- Anticipated audit completion date; and
- Method and frequency of communication (e.g. weekly status meetings to be held in-person or over the phone).

#### How do we evidence our planned communications with the KPMG specialist? [ISA | 7690.14312]

There may be a variety of ways in which we can document our planned communications with the KPMG specialist. However, the planned communications are documented in writing. The documentation may be included in the upfront agreement with the specialist (see the activity, '[Establish and document an understanding with the engaged KPMG specialist](#)') or it may be documented separately (a communications plan) and shared and agreed-upon by us and the KPMG specialist.

#### What do we consider when designing 'specific measures' to coordinate the work of the KPMG specialist?

[ISA | 7690.14313]

We consider the nature and objectives of the work that the specialist is to perform, or assist us in performing, and the relevant auditing standards and related KAEG activities which apply to that work.

#### Is there anything specific we consider when coordinating the work of the KPMG specialist who assists us in auditing an accounting estimate? [ISA | 7690.14314]

Yes. The specific measures we implement to coordinate the work of the KPMG specialist related to an accounting estimate depend on the approach we take to auditing the estimate and how we use the specialist's work for that purpose and include:

- If the KPMG specialist is used to develop (or assist in developing) an independent expectation of an accounting estimate, measures to drive compliance of our work and the work of the specialist with the requirements and guidance in the activity, '[Develop an independent expectation of an accounting estimate](#).'
- If the KPMG specialist is used to test (or assist in testing) the entity's process to develop an accounting estimate, we implement measures to drive compliance of our work and the work of the specialist with the requirements and guidance in the activity, '[Test and evaluate the entity's process for developing an accounting estimate](#).'

#### Is there anything specific we consider when coordinating the work of the KPMG specialist who evaluates the work of a management's specialist? [ISA | 7690.14315]

Yes, when the KPMG specialist is used to evaluate the work of a management's specialist, we implement measures to drive compliance of our work and the work of the specialist with the requirements and guidance in the activity, '[Perform specific procedures when using the work of a management's specialist](#).'

#### What 'specific measures' might we implement to drive compliance with relevant auditing standards? [ISA |

7690.14316]

We can implement measures, such as the following, to help drive compliance with all applicable auditing standards and related KAEG activities:

- review the relevant activities within KAEG or applicable auditing standards with the KPMG specialist to inform them of the requirements applicable to their work and the procedures they are expected to perform;
- inform the KPMG specialist that under the auditing standards we consider all relevant audit evidence, regardless of whether it supports or contradicts the relevant financial statement assertion;
- establish points throughout the audit to check-in with the specialist on the procedures performed to date and how those procedures comply with the activities we agreed they would perform; and
- inform the specialist when and how to bring to the audit engagement team's attention anything unusual they identify (e.g., suspected fraud, illegal acts, management bias).

Because KPMG specialists, by definition, are individuals (or firms) that possess special skill or knowledge in a particular field other than accounting or auditing, they may not be aware of, or have experience or expertise in applying, auditing standards relevant to their work. At the same time, there are various auditing standards (in addition to those governing our use of the work of specialists) that are potentially applicable to the work of a KPMG specialist. For example, if the KPMG specialist is used to develop (or assist in developing) an independent expectation of an accounting estimate or to test (or assist in testing) the entity's process to develop an accounting estimate, the requirements of the applicable standards for auditing accounting estimates apply to that work. Similarly, if the KPMG specialist is used to evaluate the work of a management's specialist, the requirements of the applicable auditing standard for using the work of a management's specialist as audit evidence apply to that work.

It is expected that the audit evidence we obtain demonstrates compliance of our audit procedures with all applicable auditing standards and related KAEG activities, regardless of whether the work is performed by us or a KPMG specialist whom we involve to assist us in our audit.

#### How do we evidence the 'specific measures' we implement to coordinate with the KPMG specialist?

[ISA | 7690.14317]

There may be a variety of ways in which we accomplish and document the specific measures we implement to determine that the work performed by KPMG specialists we involve in our audit is performed in accordance with the applicable auditing standards and related KAEG activities. They may include:

- documentation in our audit file of the auditing standards and related KAEG activities that we consider most relevant to the work of the KPMG specialist and the manner in which we discussed the procedures described in those standards and KAEG activities to the specialist; and
- including relevant meeting agendas or meeting notes in our audit documentation that reflect our discussion of these standards and activities with the KPMG specialist as part of the risk assessment and planning discussion or a separate discussion with the specialist (both at the beginning of the audit and throughout the specialist's involvement in the audit, as necessary).

Whatever measures we implement to achieve the above objectives, the key is that our coordination efforts are clearly evidenced in our audit documentation.

#### What else might we think about when designing measures to coordinate our work with the work of the KPMG specialist? [ISA | 7690.14318]



If this is not the first year of the KPMG specialist's involvement, we may review the scope, nature and timing of the KPMG specialist's involvement in the prior year audit and consider whether any aspect needs to be revised for the involvement to be more effective and efficient in the current year.

[Are there differences in our coordination efforts when working with an employed vs. an engaged KPMG specialist?](#) [ISA | 7690.14319]

We implement communication and coordination measures described earlier in this activity when working with either an employed or an engaged KPMG specialist. However, the engaged KPMG specialist may lack an appropriate understanding of the interrelationship of his or her expertise with the audit process that an employed KPMG specialist may have. The engaged KPMG specialist may also not have access to relevant training and other processes that may be available to a specialist employed by KPMG. Therefore, our communication and coordination measures may be more extensive and their timing different when working with an engaged KPMG specialist who is not a member of the engagement team and not subject to KPMG's system of quality management and independence policies and procedures.

## 6 Inform the employed KPMG specialist of various matters and implement coordination measures [ISA |

7675]

### What do we do?

Inform the employed KPMG specialist of the work to be performed and matters that may affect their work, and implement measures for the coordination of their work.

### Why do we do this?

Once we have decided to use the work of a KPMG specialist, we establish expectations around what the KPMG specialist is responsible for and how the audit team and KPMG specialist will communicate throughout the audit. Proper planning and communication provide the KPMG specialist with information to help them timely execute and deliver the work we have requested them to perform.

### Execute the audit

[How do we inform and coordinate with the KPMG specialist about the work to be performed?](#) [ISA |

7675.14245]

We perform the following:

- [Establish and document an understanding with the employed KPMG specialist](#);
- [Inform the employed KPMG specialist about relevant matters](#); and
- [Implement measures to properly coordinate with the employed KPMG specialist](#).

[When do we begin communicating and coordinating with the KPMG specialist?](#) [ISA | 7675.14046]

Once we have determined to use the work of a KPMG specialist and identified the appropriate specialist, we inform the specialist and begin coordination as soon as possible. Doing this early in the



audit allows us to best use the work of specialists in the audit and leverage their expertise through the risk assessment process, testing of controls and substantive testing. We are also able to invite the specialists to meetings relevant to their work, such as the risk assessment and planning discussion or process walkthroughs, which influence how we design appropriately responsive audit procedures and obtain sufficient appropriate audit evidence.

## 6.1 Establish and document an understanding with the employed KPMG specialist [ISA | 7676]

### What do we do?

Establish and document an understanding with the employed KPMG specialist of the work to be performed

### Why do we do this?

While we may decide to involve a KPMG specialist to assist us in our audit, we retain responsibility for the audit and the audit opinion we express. Therefore, we inform the KPMG specialist about the work we want them to perform for us. Establishing and documenting an upfront agreement with the KPMG specialist helps us achieve consistency between what we expect of the specialist and what we actually receive from them.

## Execute the audit

**What are the elements of understanding that we establish and document with the KPMG specialist?** [ISA | 7676.14164]

We establish and document an understanding and agreement with the KPMG specialist regarding the following:

- The responsibilities of the specialist, including the objectives of the work to be performed;
- The nature of the work that the specialist is to perform or assist in performing;
- The degree of responsibility of the specialist for:
  - Testing data produced by the entity, or evaluating the relevance and reliability of data from sources external to the entity;
  - Evaluating the relevant assumptions used by the entity or the management's specialist, or developing his or her own assumptions; and
  - Evaluating the methods used by the entity or the management's specialist, or using his or her own methods;
- The responsibility of the specialist to provide a report, or equivalent documentation, that describes the work performed, the results of the work and the findings or conclusions reached by the specialist; and
- The responsibility of the KPMG specialist to observe confidentiality requirements.

**What does 'nature of the work' that the specialist is to perform or assist in performing mean with respect to the agreement with the KPMG specialist?**

The 'nature of the work' relates to the type and scope of the work we expect the KPMG specialist to assist us with (e.g., risk assessment, testing of controls over a particular process, substantive procedures) as well as the overall approach that the KPMG specialist will take when evaluating the matter for which we have requested the specialist's assistance. For example, we may request the KPMG specialist to evaluate, or assist us in evaluating, an accounting estimate in which case we agree with the specialist whether the specialist will test (or assist us in testing) the entity's process used to develop the accounting estimate or develop (or assist us in developing) an independent expectation of the estimate.

#### What does 'degree of responsibility' mean with respect to the agreement with the KPMG specialist?

The 'degree of responsibility' relates to decisions as to who (the audit engagement team or the KPMG specialist) will take the lead for evaluating what elements of the matter for which we have requested the specialist's assistance. For example, accounting estimates are comprised of many elements (data, assumptions and methods) and a clear understanding of who has responsibility for performing procedures over each element improves coordination of the work between us and the KPMG specialist, our supervision and review of the specialist's work and, ultimately, our ability to obtain sufficient appropriate audit evidence over estimates that give rise to an RMM.

However, regardless of the specialist's degree of responsibility, we remain responsible for reviewing the specialist's work and report, or equivalent documentation, and evaluating whether they provide sufficient appropriate audit evidence.

#### Do we expect each KPMG specialist to provide a written 'report'?

Not necessarily - there can be flexibility as to the form of deliverable from the specialist. It may be a comprehensive report, a sign-off memorandum supported by the specialist's work papers or some form of equivalent documentation. However, in all cases a written deliverable is provided by the KPMG specialist and includes sufficient information about the specialist's procedures, results and findings or conclusions to allow us to determine whether:

- The specialist's work and deliverables are in accordance with the upfront agreement we established with the specialist; and
- The specialist's findings or conclusions are consistent with the results of the work performed by the specialist, other evidence obtained by us and our understanding of the entity and its environment.

#### What matters might we specifically include in the agreement with the KPMG specialist? [ISA | 7676.14145]

The matters that are relevant to specifically include in the agreement with the KPMG specialist will vary from engagement to engagement and, if applicable, from estimate to estimate. The following table includes an illustrative list of matters we may consider including in the agreement with the KPMG specialist.

Element of understanding	Specific matters we may address in the upfront agreement with a KPMG specialist
The responsibilities of the specialist, including the objectives of the work to be performed	<ul style="list-style-type: none"> <li>• The objectives of the specialist's work (e.g., to assist in the testing or to develop an independent expectation of fair value of a financial instrument)</li> </ul>

	<p>in the context of audit materiality and risk considerations relevant to the matter to which the specialist's work relates.</p> <ul style="list-style-type: none"> <li>• The specialist's responsibility, as a member of the engagement team, to exercise professional skepticism.</li> <li>• The expectation that the specialist will use all knowledge they have that is relevant to the audit or, if not, will inform the engagement team.</li> </ul>
The nature of the work that the specialist is to perform or assist in performing	<ul style="list-style-type: none"> <li>• The nature and scope of the procedures to be performed by the specialist (e.g. their role in risk assessment, control testing, and substantive procedures)</li> <li>• The overall approach to evaluating the matter for which we have requested the specialist's assistance (e.g., testing the entity's process or developing an independent expectation).</li> <li>• Relevant auditing and accounting standards, and relevant regulatory or legal requirements.</li> <li>• Any other relevant technical performance standards or other professional or industry requirements the specialist will follow.</li> </ul>
The degree of responsibility of the specialist for testing data and evaluating relevant assumptions and methods	<ul style="list-style-type: none"> <li>• When testing the entity's process, who (the audit engagement team or the specialist) will take the lead on testing or evaluating, where applicable: <ul style="list-style-type: none"> <li>- Specific data produced by the entity or obtained from external sources;</li> <li>- Specific relevant assumptions used by the entity or the management's specialist; and</li> <li>- Specific methods and/or models used by the entity or the management's specialist.</li> </ul> </li> <li>• When developing an independent expectation, responsibility of the specialist for: <ul style="list-style-type: none"> <li>- Any data the specialist generates or obtains from external sources; and</li> <li>- Any assumptions the specialist develops.</li> </ul> </li> <li>• The effective date of, or the testing period for, the subject matter of the specialist's work, and how consideration and evaluation of subsequent events will be treated.</li> </ul>

The responsibility of the specialist to provide a report, or equivalent documentation	<ul style="list-style-type: none"> <li>• The form and content of the deliverable that the specialist will provide at the conclusion of his or her work.</li> <li>• When the specialist will complete the work and report findings or conclusions to the auditor.</li> <li>• Ownership and control of working papers during and after the engagement, including any file retention requirements.</li> </ul>
The responsibility of the KPMG specialist to observe confidentiality requirements	<ul style="list-style-type: none"> <li>• The confidentiality provisions of relevant ethical requirements that apply to the auditor.</li> <li>• Additional requirements that may be imposed by law or regulation, if any.</li> <li>• Specific confidentiality provisions requested by the entity, if any.</li> </ul>

#### What else might we think about addressing in the agreement with a KPMG specialist?

Other matters that we may think about addressing in the upfront agreement with a KPMG specialist include:

- Expected levels of specialists to be involved in the audit;
- Subcontracting procedures to be followed if the specialist decides to engage another external specialist;
- Budgeted hours or fees allocated to the work of the specialist;
- Expectations regarding review of the specialist's work by a more experienced specialist; and
- Expected timeline for the specialist's work, including any interim milestones and the deadline for final deliverables.

#### How do we evidence our agreement with the KPMG specialist? [ISA | 7676.14155]

Our written agreement with a KPMG specialist may be documented in a variety of ways including:

- A relevant screen in the KPMG Clara workflow with sign-off from both the audit engagement team and the specialist; or
- A planning memorandum or other work paper that is created outside the workflow and manually signed by the specialist and the audit engagement team who then includes the document in the audit documentation. Approval of the document by the audit engagement team may also be evidenced through sign-off on the relevant KPMG Clara workflow screen.

## 6.2 Inform the employed KPMG specialist about relevant matters [ISA | 7677]

### What do we do?

Inform the employed KPMG specialist about relevant matters that could affect the specialist's work

## Why do we do this?

Once we have informed the KPMG specialist of the work they will perform, we arm them with the information necessary to execute that work. Their work is informed by their understanding of the entity and its processes specific to the matter they will be assisting us with, and a thorough understanding of those matters that affect their work will allow the specialist to execute their procedures in an efficient and effective manner.

## Execute the Audit

### What matters do we inform the KPMG specialist about? [ISA | 7677.14177]

We inform the specialist about matters that could affect their work. This includes, as applicable, information about:

- the entity and its environment;
- the entity's processes for determining the matter for which we have requested the specialist's assistance, including developing the related accounting estimate, if applicable;
- the entity's use of its own management's specialists in determining the matter, including developing the estimate;
- relevant requirements of the applicable financial reporting framework
- possible accounting and auditing issues; and
- the responsibility of the employed KPMG specialist, as a member of the engagement team, to apply professional skepticism.

### What other matters may we consider informing the KPMG specialist about?

There may be a variety of other matters that are relevant to the KPMG specialist's work, for example:

- materiality, performance materiality and audit misstatement posting threshold relevant to the subject matter of the specialist's work;
- the requirement to consider all relevant audit evidence, regardless of whether it supports or contradicts the relevant financial statement assertion;
- significant unusual transactions related to the matter for which we have requested the specialist's assistance;
- events and transactions subsequent to the date of determination of the matter, including measurement of an accounting estimate; and
- deficiencies in management's controls relevant to determination of the matter, including development of the accounting estimate, if applicable.

### When do we inform the KPMG specialist about relevant matters? [ISA | 7677.14239]

We inform the KPMG specialist about relevant matters before they begin the work we have asked them to perform. In the same way we perform risk assessment procedures - which include obtaining an understanding of the entity and its processes - before we perform control and substantive testing, the KPMG specialist obtains all available relevant information before they begin their work.

Additionally, as the audit progresses, new information may become available that is relevant to the specialist's work - for example, changes to circumstances previously communicated. Timely communication of that new information helps the specialist to efficiently and effectively perform

their work. Therefore, we perform the activity, '[Implement measures to properly coordinate with the engaged KPMG specialist](#)'.

#### How do we inform the KPMG specialist about relevant matters? [ISA | 7677.14253]

We inform the specialist about relevant matters in various ways, but at a minimum:

- We either invite the specialist to attend our planning and risk assessment discussion (RAPD) or, after the RAPD, we communicate to the specialist relevant matters discussed during the RAPD that could affect the specialist's work.
- We share with the specialist, to the extent considered appropriate in the circumstances of the particular audit, our documentation regarding the RMMs identified with reference to the subject matter of the specialist's work, our CAR assessment for those identified RMMs and our planned audit approach to the RMMs, which may include, if applicable, relevant PRPs and controls to be tested, and our planned substantive procedures; in addition, for accounting estimates, we communicate to the specialist the data, assumptions and methods we have identified for the estimate. We consider the feedback provided by the specialist on these matters.

#### What are some other ways in which we may inform the KPMG specialist of relevant matters?

In addition to the above actions, there are some other ways we may inform the KPMG specialist of relevant matters, for example:

- We may meet with the specialist to discuss the various matters relevant to their work throughout the engagement.
- When we have determined to use the specialist during the planning phase of the audit, before we have executed our risk assessment procedures, we may include the specialist in the walkthrough of the process relevant to the subject matter of the specialist's work.

The leading practice for informing the specialist is using a combination of all of the above discussed methods and communicating the relevant information on a timely basis.

## 6.3 Implement measures to properly coordinate with the employed KPMG specialist [ISA | 7678]

### What do we do?

Implement measures to determine that there is a proper coordination of the work of the employed KPMG specialist with the work of relevant engagement team members

### Why do we do this?

Effective coordination facilitates the proper integration of the nature, timing and extent of the KPMG specialist's procedures with other work on the audit and appropriate modification of the specialist's objectives during the course of the audit. It also provides the opportunity for us to monitor the specialist's progress throughout the audit and to understand whether the specialist performs their procedures in accordance with the applicable standards.

### Execute the audit

### What do we accomplish through proper coordination with the KPMG specialist? [ISA | 7678.14309]

Proper coordination between the KPMG specialist and relevant engagement team members helps us achieve a number of things that contribute to an effective audit, including:

- Timely communication of relevant matters between the KPMG specialist and the audit engagement team, such as:
  - Information that the specialist believes may be relevant to the audit or that the audit engagement team believes may be relevant to the specialist's work, including any changes in the relevant matters previously communicated to the specialist;
  - Errors identified by the specialist;
  - Potential delays in the specialist's completion of the agreed-upon work or any potential reservation or limitation on their findings or conclusions;
  - Instances in which the entity restricts the specialist's access to records, files, personnel or management's specialists; and
  - Circumstances that may create threats to the specialist's objectivity.
- Ability for the audit engagement team to determine that the procedures performed by the specialist are in compliance with the relevant auditing standards and related KAEG activities.
- Proper evaluation of the evidence obtained in reaching a conclusion about a matter for which we have requested the specialist's help.

### How do we coordinate with the KPMG specialist? [ISA | 7678.14310]

When we design our plan for appropriate coordination of work with the KPMG specialist, we perform the following:

- We agree with the KPMG specialist on the nature, timing, and extent of communication between us and the specialist; and
- We implement specific measures to coordinate the work of the KPMG specialist with the work of other relevant engagement team members to obtain reasonable assurance that the work, and the evidence it provides, complies with the relevant auditing standards and related KAEG activities. '

### What might we think about when determining and documenting the nature, timing and extent of communication with the KPMG specialist? [ISA | 7678.14311]

We may think about and come to agreement on the following when agreeing with the KPMG specialist on the nature, timing and extent of communication between us and the specialist:

- Identification of the specific people within the engagement team who will liaise with the KPMG specialist;
- Planned timeline for the engagement, including specific milestones, such as:
  - Planning meeting;
  - Dates PBCs / client documentation will be provided to the specialist;
  - Expected date the KPMG specialist will provide a draft deliverable;
  - Timing for the audit team's review of the specialist's work and deliverable;
  - Timing of specialist's final deliverable;
  - Anticipated audit completion date; and
  - Method and frequency of communication (e.g. weekly status meetings to be held in-person or over the phone).

### How do we evidence our planned communications with the KPMG specialist? [ISA | 7678.14360]

There may be a variety of ways in which we can document our planned communications with the KPMG specialist. However, the planned communications are documented in writing. The documentation may be included in the upfront agreement with the specialist (see the activity, '[Establish and document an understanding with the employed KPMG specialist](#)') or it may be documented separately (a communications plan) and shared and agreed-upon by us and the KPMG specialist.

### What do we consider when designing 'specific measures' to coordinate the work of the KPMG specialist?

[ISA | 7678.14313]

We consider the nature and objectives of the work that the specialist is to perform, or assist us in performing, and the relevant auditing standards and related KAEG activities which apply to that work.

### Is there anything specific we consider when coordinating the work of the KPMG specialist who assists us in auditing an accounting estimate? [ISA | 7678.14314]

Yes. The specific measures we implement to coordinate the work of the KPMG specialist related to an accounting estimate depend on the approach we take to auditing the estimate and how we use the specialist's work for that purpose and include:

- If the KPMG specialist is used to develop (or assist in developing) an independent expectation of an accounting estimate, measures to drive compliance of our work and the work of the specialist with the requirements and guidance in the activity, '[Develop an independent expectation of an accounting estimate](#).'
- If the KPMG specialist is used to test (or assist in testing) the entity's process to develop an accounting estimate, we implement measures to drive compliance of our work and the work of the specialist with the requirements and guidance in the activity, '[Test and evaluate the entity's process for developing an accounting estimate](#).'

### Is there anything specific we consider when coordinating the work of the KPMG specialist who evaluates the work of a management's specialist? [ISA | 7678.14315]

Yes, when the KPMG specialist is used to evaluate the work of a management's specialist, we implement measures to drive compliance of our work and the work of the specialist with the requirements and guidance in the activity, '[Perform specific procedures when using the work of a management's specialist](#).'

### What 'specific measures' might we implement to drive compliance with relevant auditing standards? [ISA |

7678.14316]

We can implement measures, such as the following, to help drive compliance with all applicable auditing standards and related KAEG activities:

- review the relevant activities within KAEG or applicable auditing standards with the KPMG specialist to inform them of the requirements applicable to their work and the procedures they are expected to perform;
- inform the KPMG specialist that under the auditing standards we consider all relevant audit evidence, regardless of whether it supports or contradicts the relevant financial statement assertion;



- establish points throughout the audit to check-in with the specialist on the procedures performed to date and how those procedures comply with the activities we agreed they would perform; and
- inform the specialist when and how to bring to the audit engagement team's attention anything unusual they identify (e.g., suspected fraud, illegal acts, management bias).

Because KPMG specialists, by definition, are individuals (or firms) that possess special skill or knowledge in a particular field other than accounting or auditing, they may not be aware of, or have experience or expertise in applying, auditing standards relevant to their work. At the same time, there are various auditing standards (in addition to those governing our use of the work of specialists) that are potentially applicable to the work of a KPMG specialist. For example, if the KPMG specialist is used to develop (or assist in developing) an independent expectation of an accounting estimate or to test (or assist in testing) the entity's process to develop an accounting estimate, the requirements of the applicable standards for auditing accounting estimates apply to that work. Similarly, if the KPMG specialist is used to evaluate the work of a management's specialist, the requirements of the applicable auditing standard for using the work of a management's specialist as audit evidence apply to that work.

It is expected that the audit evidence we obtain demonstrates compliance of our audit procedures with all applicable auditing standards and related KAEG activities, regardless of whether the work is performed by us or a KPMG specialist whom we involve to assist us in our audit.

#### How do we evidence the 'specific measures' we implement to coordinate with the KPMG specialist?

[ISA | 7678.14317]

There may be a variety of ways in which we accomplish and document the specific measures we implement to determine that the work performed by KPMG specialists we involve in our audit is performed in accordance with the applicable auditing standards and related KAEG activities. They may include:

- documentation in our audit file of the auditing standards and related KAEG activities that we consider most relevant to the work of the KPMG specialist and the manner in which we discussed the procedures described in those standards and KAEG activities to the specialist; and
- including relevant meeting agendas or meeting notes in our audit documentation that reflect our discussion of these standards and activities with the KPMG specialist as part of the risk assessment and planning discussion or a separate discussion with the specialist (both at the beginning of the audit and throughout the specialist's involvement in the audit, as necessary).

Whatever measures we implement to achieve the above objectives, the key is that our coordination efforts are clearly evidenced in our audit documentation.

#### What else might we think about when designing measures to coordinate our work with the work of the KPMG specialist? [ISA | 7678.14318]

If this is not the first year of the KPMG specialist's involvement, we may review the scope, nature and timing of the KPMG specialist's involvement in the prior year audit and consider whether any aspect needs to be revised for the involvement to be more effective and efficient in the current year.

## 7 Evaluate the work of the engaged KPMG specialist [ISA | 7691]

## What do we do?

Evaluate the work of the engaged KPMG specialist for use in the audit

## Why do we do this?

We evaluate the work of the KPMG specialist to help us determine whether and to what extent we may use the work as audit evidence. Although we are using the specialist's work as part of our audit, our responsibility for the audit engagement is not reduced. Therefore, it is our responsibility to evaluate their work to determine whether it provides sufficient appropriate audit evidence.

## Execute the audit

How do we evaluate the work of the KPMG specialist? [ISA | 7691.14038]

To evaluate the work of the KPMG specialist, we perform the following activities:

- [review the engaged KPMG specialist's work and report or equivalent documentation](#) ;
- [determine the nature, timing and extent of our evaluation of the work of the engaged KPMG specialist](#) ; and
- [perform additional procedures when the engaged KPMG specialist's work is not sufficient](#) .

## 7.1 Review the engaged KPMG specialist's work and report or equivalent documentation [ISA | 7692]

### What do we do?

Review the engaged KPMG specialist's work and report, or equivalent documentation, and evaluate whether the specialist's work provides sufficient appropriate evidence

### Why do we do this?

We review the KPMG specialist's work and report or equivalent documentation to determine whether:

- they performed the work we expected them to perform; and
- their work supports their conclusions and provides sufficient appropriate audit evidence related to the financial statement assertion(s) being tested.

Appropriately evaluating the work performed by the specialist helps us understand whether the evidence obtained is sufficient and appropriate to support our auditor's report.

## Execute the Audit

What do we evaluate in our review of the KPMG specialist's work and report or equivalent documentation? [ISA | 7692.14194]

We review the KPMG specialist's work and report, or equivalent documentation, to evaluate the relevance and reasonableness of his or her findings and conclusions, specifically whether:

- the specialist's work and report, or equivalent documentation, are in accordance with our understanding and agreement with the specialist;
- the specialist's findings and conclusions are consistent with results of the work performed by the specialist, other evidence obtained by us and our understanding of the entity and its environment; and
- the relevant assumptions and methods, if any, used by the specialist are reasonable and appropriate and, where applicable, have been evaluated or supported by the specialist in accordance with the applicable auditing standards and related KAEG activities; and
- the data used by the specialist, if any, is relevant and reliable and, where applicable, has been evaluated or supported by the specialist in accordance with the applicable auditing standards and related KAEG activities.

When reviewing the KPMG specialist's work and report, or equivalent documentation, we keep in mind that the audit evidence we obtain is expected to demonstrate compliance of our audit procedures with all applicable auditing standards and related KAEG activities, regardless of whether the work is performed by us or a KPMG specialist.

[What other relevant factors do we think about when reviewing the KPMG specialist's work and report or equivalent documentation?](#)

When evaluating the KPMG specialist's work and report, or equivalent documentation, we think about other relevant factors such as whether the specialist's findings or conclusions are:

- Presented in a manner that is consistent with any standards of the specialist's profession or industry;
- Clearly expressed, including reference to the objectives agreed with us, 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 us; and
- Based on appropriate consideration of errors or deviations encountered by the specialist.

[What do we consider when the work of the KPMG specialist involves the use of relevant assumptions and methods?](#) [ISA | 7692.14195]

When the work of the KPMG specialist involves using relevant assumptions and methods, we:

- obtain an understanding of those assumptions and methods; and
- evaluate the reasonableness and appropriateness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the KPMG specialist, and in relation to our other findings or conclusions.

[What do we focus on when the KPMG specialist tests \(or assists us in testing\) the entity's process?](#)

What do we focus on when the KPMG specialist tests the entity's process?

When the KPMG specialist's work is to evaluate (or assist us in evaluating) relevant assumptions and methods used by the entity or the management's specialist, our procedures are primarily directed to evaluating whether the KPMG specialist has adequately evaluated those assumptions and methods in accordance with the guidance in the relevant KAEG activities. See the following activities for guidance

applicable to evaluating assumptions and methods developed by the entity or the management's specialist:

- for relevant assumptions underlying accounting estimates that were developed by the entity - activity '[Evaluate the assumptions used in the entity's estimation process](#)';
- for assumptions developed by the entity related to matters other than an accounting estimate - activity '[Design and perform substantive procedures for each RMM](#)';
- for assumptions that were developed by the management's specialist - activity '[Evaluate relevant assumptions used by the management's specialist](#)';
- for methods used in the estimation process that were developed by the entity - activity '[Test and evaluate the methods used in the entity's estimation process](#)'; and
- for methods used in the estimation process that were developed by the management's specialist - activity '[Evaluate the method\(s\) used by the management's specialist](#)'.

[What do we focus on when the KPMG specialist uses independently derived assumptions and/or methods, for example when developing an independent expectation of an estimate?](#)

When the work of a KPMG specialist involves the use of alternative assumptions and/or methods that were independently derived by the specialist (for example, when developing an independent expectation of an estimate as either a point estimate or a range), our procedures are primarily directed to evaluating these alternative assumptions and methods, including models where appropriate, used by the KPMG specialist. We focus our evaluation on whether the KPMG specialist had a reasonable basis for the assumptions and/or methods selected, including models where appropriate. More specifically, we determine whether the specialist's selection of the assumptions and/or methods, including models where appropriate, was determined arbitrarily or instead based on consideration of the following matters:

Element	Matters
Method / model	<ul style="list-style-type: none"> <li>• Whether the method selected is appropriate in the context of the financial reporting framework or the nature of the account or disclosure and, if applicable, changes from the KPMG specialist's method used in the prior period are appropriate.</li> <li>• Whether the method is consistent with the business, industry, and environment in which the entity operates or the method generally accepted within the field of the KPMG specialist.</li> <li>• Whether the calculations made in accordance with the method are mathematically accurate.</li> <li>• Whether the integrity of the relevant assumptions and the data has been maintained in applying our method.</li> <li>• If the KPMG specialist made adjustments to the output of the model, whether those adjustments are consistent with the measurement objective of the applicable financial reporting framework and appropriate in the circumstances.</li> </ul>

Assumption	<ul style="list-style-type: none"> <li>• Whether the assumption is appropriate in the context of the applicable financial reporting framework and, if applicable, changes from assumptions used in prior periods are appropriate.</li> <li>• Whether the assumption is consistent with: (i) relevant industry, regulatory, and other external factors, including economic conditions, (ii) the entity's objectives, strategies, and related business risks, (iii) existing market information; (iv) historical or recent experience, along with changes in conditions and events affecting the entity; and (v) relevant assumptions used in other estimates tested in the entity's financial statements.</li> <li>• Whether the assumption is consistent with assumptions generally accepted in the KPMG specialist's field, if any.</li> <li>• If the assumption depends on the entity's intent or ability to carry out specific courses of action, whether management has the intent and ability to carry out those specific courses of action.</li> </ul>
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#### What if the engaged KPMG specialist's model is proprietary and we cannot access it?

It may not be necessary to have access to the model used by the engaged KPMG specialist to evaluate its appropriateness. Similarly, we do not need to re-perform the work of the specialist. Instead, we evaluate the model in accordance with the procedures included in this activity and considering the factors in ['What is considered to determine our procedures to evaluate the work of the KPMG specialist?'](#).

#### What do we consider when the work of the KPMG specialist involves the use of source data that is significant to the work of the specialist? [ISA | 7692.14199]

When the work of the KPMG specialist involves testing or evaluating source data used by the entity or the management's specialist, we evaluate whether the specialist has adequately tested or evaluated such source data and appropriately addressed the considerations included within activity, ['Evaluate the relevance and reliability of information used as audit evidence.'](#) If the data tested or evaluated by the KPMG specialist relates to an accounting estimate, we also evaluate whether the specialist's work has adequately considered whether the data was appropriately used in the entity's estimation process, as described in activity ['Evaluate the data used in the entity's estimation process.'](#)

When the work of the KPMG specialist involves using the specialist's own data (including data obtained from an external source) that is significant to the work of the specialist, we evaluate whether the specialist had a reasonable basis for the data. More specifically, we determine whether:

- the specialist's selection of the data was determined arbitrarily or instead based on consideration of the relevance and reliability of information available to the specialist;
- the data is appropriate in the context of the applicable financial reporting framework;
- the data is sufficiently precise and detailed for use in the work performed by the specialist; and
- if applicable, changes in data from prior periods are appropriate.

#### What if we conclude the KPMG specialist's work is not sufficient based on our evaluation? [ISA | 7692.14200]

If the KPMG specialist's work is not sufficient for our purposes, we perform activity, '[Perform additional procedures when the engaged KPMG specialist's work is not sufficient](#).'

## 7.2 Determine the nature, timing and extent of our evaluation of the work of the engaged KPMG specialist [ISA | 7693]

### What do we do?

Determine the nature, timing and extent of our evaluation of the work of the engaged KPMG specialist

### Why do we do this?

As risks are different for each engagement, we vary our audit procedures to evaluate the KPMG specialist's work accordingly. When doing so, we consider certain factors to determine the nature, timing and extent of our evaluation procedures that will be appropriate for the particular situation.

### Execute the Audit

[What do we consider when determining the nature, timing and extent of the procedures we perform to evaluate the work of the KPMG specialist?](#) [ISA | 7693.14257]

We consider the following factors when determining the nature, timing and extent of the procedures we will perform to evaluate the KPMG specialist's work:

- the CAR related to the matter to which the specialist's work relates;
- significance of the specialist's work to our conclusion on the related RMM(s); and
- knowledge, skill and ability of the specialist.

[Is there anything else we consider when determining our procedures to evaluate the work of an engaged KPMG specialist?](#) [ISA | 7693.14259]

Yes, because an engaged KPMG specialist and the entity that employs the specialist, if any, are not subject to the KPMG's system of quality management and independence policies and procedures, we remain alert for any indications of relationships or other conflicts of interest between the specialist (and her or his employer, if any) and the entity that may affect the specialist's objectivity.

If we have doubts about the engaged KPMG specialist's objectivity, we:

- perform additional procedures to evaluate the specialist's work, including the data, relevant assumptions and methods that the specialist is responsible for testing, evaluating or developing pursuant to our understanding with the specialist, or
- engage another KPMG specialist.

[What do we think about when assessing the significance of the KPMG specialist's work to our conclusions?](#) [ISA | 7693.14260]

The significance of the KPMG specialist's work refers to the degree to which we intend to use the work of the specialist to support our conclusions about the related RMM(s).

For example, think about a situation where we are testing an accounting estimate and ask a KPMG specialist to evaluate a number of relevant assumptions that are key drivers in our RMM assessment for various elements of the estimate. The significance of the specialist's work to our conclusion in this situation is likely higher as compared to a situation where we test the entity's process ourselves and only involve the specialist to develop an independent estimate as a secondary check on the estimate.

How do the factors discussed above affect the nature, timing and extent of the procedures we perform to evaluate the work of the KPMG specialist? [ISA | 7693.14261]

The below table summarizes how each of the factors may impact our procedures.

Factor	More evaluation needed	Less evaluation needed
Assessed CAR	Areas where inherent risk is assessed as Elevated or Significant	Areas where inherent risk is assessed as Base
Significance of the work of the specialist to our conclusion	The specialist's work is integral to the audit	The specialist's work provides a secondary check on a matter evaluated by the audit team
Knowledge, skill and ability of the KPMG specialist	Lower level of knowledge, skill and ability	Higher level of knowledge, skill and ability
Objectivity of the engaged KPMG specialist	We identify relationships between the specialist and the entity which may affect the specialist's objectivity	No concerns are identified about the specialist's objectivity

What does 'more evaluation' versus 'less evaluation' look like? [ISA | 7693.14262]

In all cases, we review the KPMG specialist's report or equivalent documentation that describes the work performed by the specialist and the findings or conclusions reached by the specialist. Through the review, we determine whether:

- the work performed by the specialist was in accordance with our understanding and agreement with the specialist; and
- their findings and conclusions are consistent with (1) the results of the work performed by the specialist, (2) other evidence obtained by us, and (3) our understanding of the entity and its environment. See further discussion of the scope and objectives of our review of the specialist's work and reports in the following activities:
  - ['Review the employed KPMG specialist's work and report or equivalent documentation'](#)
  - ['Review the engaged KPMG specialist's work and report or equivalent documentation'](#).



If the KPMG specialist's report or equivalent documentation does not include sufficient information to allow us to make the above determinations, we expand our review to include additional work papers and other supporting documentation prepared by the specialist. We also expand our review and perform additional procedures based upon whether we have determined that 'more' or 'less' evaluation is necessary. The additional procedures may include:

- inquiry of the specialist about their findings;
- observation of the specialist's work;
- examination of the published data, such as statistical reports from reputable, authoritative sources;
- confirmation of relevant matters with third parties;
- performance of detailed analytical procedures;
- reperformance of certain calculations;
- discussion with another specialist with relevant expertise; or
- discussion of the specialist's findings with management.

[What do we do when the objectivity of the engaged KPMG specialist may be impaired?](#) [ISA | 7693.14263]

If we believe the existing relationships or other conflicts of interest may affect the objectivity of the engaged KPMG specialist, we:

- perform additional procedures to evaluate the data, relevant assumptions, and methods that the specialist is responsible for testing, evaluating, or developing, pursuant to our understanding with the specialist, or
- engage another specialist to perform the work.

The nature and extent of any additional procedures depends on the degree of objectivity of the specialist. As the degree of objectivity increases, the evidence necessary from any additional procedures decreases.

If the specialist has a low degree of objectivity, we apply the procedures for evaluating the work of a management's specialist (see activity, '[Perform specific procedures when using the work of a management's specialist](#)').

Given the importance of an engaged KPMG specialist's objectivity, we exercise caution when deciding to engage or continue to use an engaged KPMG specialist where we identify relationships or other conflicts of interest that may impair the specialist's objectivity - regardless of the safeguards in place.

## 7.3 Perform additional procedures when the engaged KPMG specialist's work is not sufficient [ISA

| 7694]

### What do we do?

Perform additional procedures when the engaged KPMG specialist's findings or conclusions contradict the relevant assertion or the specialist's work does not provide sufficient appropriate evidence.

### Why do we do this?



We perform additional procedure when we have determined that the specialist's work is not adequate for our purposes given our responsibility for the audit. When we have identified a risk of material misstatement that requires a response, we perform work until we have obtained sufficient appropriate evidence to support our conclusions and our auditor's report.

## Execute the audit

What are examples of situations in which the KPMG specialist's work may not be sufficient and additional procedures could be necessary? [ISA | 7694.14303]

Examples of situations in which the KPMG specialist's work may not be sufficient and additional procedures could be necessary include:

- The specialist's work was not performed in accordance with the our instructions;
- The specialist's report, or equivalent documentation, contains restrictions, disclaimers, or limitations that affect our use of the report or work;
- The specialist's findings and conclusions are inconsistent with (1) what is presented in the entity's financial statements, (2) the results of the work performed by the specialist, (3) other evidence obtained by us (for example, evidence obtained during quarterly reviews vs. year-end audit procedures), or (4) our understanding of the entity and its environment;
- The specialist lacks a reasonable basis for data or relevant assumptions the specialist used; or
- The methods used by the specialist were not appropriate.

Do all restrictions, disclaimers or limitations included in the KPMG specialist's report have the same effect on our ability to use the specialist's report or work as audit evidence? [ISA | 7694.14304]

Generally, no. Not all restrictions, disclaimers or other limitations are created equal and we evaluate their nature to understand their effect, if any, on (a) the relevance and reliability of the audit evidence the specialist's work provides and (b) how we can use the specialist's report or work as audit evidence.

For example, a KPMG specialist's report that states "the values in this report are not an indication of the fair value of the underlying assets" generally would not provide sufficient appropriate evidence related to fair value measurements. On the other hand, a KPMG specialist's report that indicates that the specialist's calculations were based on information supplied by management may still be appropriate for use by us to support the relevant assertion, since we may have tested the entity-produced data used in the specialist's calculations.

What do we do when the KPMG specialist's work is not in accordance with our understanding and agreement with the specialist? [ISA | 7694.14305]

If the KPMG specialist's work is not in accordance with the understanding and agreement between us and the specialist, we may perform the following procedures:

- Discuss with the KPMG specialist what procedures were not performed and the reasons why the specialist has not performed those procedures;
- Discuss with the KPMG specialist what alternative procedures might have been performed in place of the procedures originally agreed upon.

What do we do when we have concluded that the KPMG specialist's work is not sufficient or appears to contradict the relevant assertion? [ISA | 7694.14306]

When we have concluded that the KPMG specialist's work is not sufficient or appears to contradict the relevant assertion, we perform additional procedures, or request the specialist to perform additional procedures, as necessary to address the issue. The additional procedures may involve further work being performed by both us and the specialist, or include employing or engaging another specialist.

What if we are unable to obtain sufficient appropriate evidence through the performance of additional procedures? [ISA | 7694.14307]

If we conclude that the work of the specialist is not adequate for our purposes and we cannot resolve the matter through the performance of additional audit procedures, it may be necessary to express a modified opinion in the auditor's report in accordance with the activity, '[Modify the audit opinion for specific circumstances](#),' because we have not obtained sufficient appropriate audit evidence.

## 8 Evaluate effect of the engaged KPMG specialist's work on the auditor's report [ISA | 7695]

### What do we do?

Evaluate the effect of the engaged KPMG specialist's work on the auditor's reports

### Why do we do this?

After we evaluate the findings from the KPMG specialist's work, we evaluate the impact, if any, of the engaged KPMG specialist's work, findings and conclusions on our audit report.

### Execute the audit

Are there exceptions in which we can refer to the engaged KPMG specialist in the auditor's report? [ISA | 7695.14250]

Yes. We can refer to the engaged KPMG specialist in the auditor's report if:

- the reference to the work of the engaged KPMG specialist is relevant to understanding our modified opinion, or
- we are required to do so by law or regulation.

In both of these situations, we indicate in the auditor's report that such reference does not reduce our responsibility for the opinion expressed in the report.

What if we refer to the engaged KPMG specialist in the auditor's report? [ISA | 7695.14252]

There may be some cases or jurisdictions where it is necessary to obtain the engaged KPMG specialist's permission before we include reference to the specialist in the auditor's report.

## 9 Evaluate the work of the employed KPMG specialist [ISA | 7679]

### What do we do?

Evaluate the work of the employed KPMG specialist for use in the audit

### Why do we do this?

We evaluate the work of the KPMG specialist to help us determine whether and to what extent we may use the work as audit evidence. Although we are using the specialist's work as part of our audit, our responsibility for the audit engagement is not reduced. Therefore, it is our responsibility to evaluate their work to determine whether it provides sufficient appropriate audit evidence.

### Execute the audit

[How do we evaluate the work of the KPMG specialist? \[ISA | 7679.14247\]](#)

To evaluate the work of the KPMG specialist, we perform the following activities:

- [review the employed KPMG specialist's work and report or equivalent documentation](#) ;
- [determine the nature, timing and extent of our evaluation of the work of the employed KPMG specialist](#) ; and
- [perform additional procedures when the employed KPMG specialist's work is not sufficient](#) .

## 9.1 Review the employed KPMG specialist's work and report or equivalent documentation [ISA | 7680]

### What do we do?

Review the employed KPMG specialist's work and report or equivalent documentation and evaluate whether the specialist's work provides sufficient appropriate evidence

### Why do we do this?

We review the KPMG specialist's work and report or equivalent documentation to determine whether:

- they performed the work we expected them to perform; and
- their work supports their conclusions and provides sufficient appropriate audit evidence related to the financial statement assertion(s) being tested.

Appropriately evaluating the work performed by the specialist helps us understand whether the evidence obtained is sufficient and appropriate to support our auditor's report.

### Execute the Audit

[What do we evaluate in our review of the KPMG specialist's work and report or equivalent documentation? \[ISA | 7680.14194\]](#)

We review the KPMG specialist's work and report, or equivalent documentation, to evaluate the relevance and reasonableness of his or her findings and conclusions, specifically whether:

- the specialist's work and report, or equivalent documentation, are in accordance with our understanding and agreement with the specialist;
- the specialist's findings and conclusions are consistent with results of the work performed by the specialist, other evidence obtained by us and our understanding of the entity and its environment; and
- the relevant assumptions and methods, if any, used by the specialist are reasonable and appropriate and, where applicable, have been evaluated or supported by the specialist in accordance with the applicable auditing standards and related KAEG activities; and
- the data used by the specialist, if any, is relevant and reliable and, where applicable, has been evaluated or supported by the specialist in accordance with the applicable auditing standards and related KAEG activities.

When reviewing the KPMG specialist's work and report, or equivalent documentation, we keep in mind that the audit evidence we obtain is expected to demonstrate compliance of our audit procedures with all applicable auditing standards and related KAEG activities, regardless of whether the work is performed by us or a KPMG specialist.

[What other relevant factors do we think about when reviewing the KPMG specialist's work and report or equivalent documentation?](#)

When evaluating the KPMG specialist's work and report, or equivalent documentation, we think about other relevant factors such as whether the specialist's findings or conclusions are:

- Presented in a manner that is consistent with any standards of the specialist's profession or industry;
- Clearly expressed, including reference to the objectives agreed with us, 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 us; and
- Based on appropriate consideration of errors or deviations encountered by the specialist.

[What do we consider when the work of the KPMG specialist involves the use of relevant assumptions and methods?](#) [ISA | 7680.14195]

When the work of the KPMG specialist involves using relevant assumptions and methods, we:

- obtain an understanding of those assumptions and methods; and
- evaluate the reasonableness and appropriateness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the KPMG specialist, and in relation to our other findings or conclusions.

[What do we focus on when the KPMG specialist tests \(or assists us in testing\) the entity's process?](#)

What do we focus on when the KPMG specialist tests the entity's process?

When the KPMG specialist's work is to evaluate (or assist us in evaluating) relevant assumptions and methods used by the entity or the management's specialist, our procedures are primarily directed to evaluating whether the KPMG specialist has adequately evaluated those assumptions and methods in

accordance with the guidance in the relevant KAEG activities. See the following activities for guidance applicable to evaluating assumptions and methods developed by the entity or the management's specialist:

- for relevant assumptions underlying accounting estimates that were developed by the entity - activity '[Evaluate the assumptions used in the entity's estimation process](#)';
- for assumptions developed by the entity related to matters other than an accounting estimate - activity '[Design and perform substantive procedures for each RMM](#)';
- for assumptions that were developed by the management's specialist - activity '[Evaluate relevant assumptions used by the management's specialist](#)';
- for methods used in the estimation process that were developed by the entity - activity '[Test and evaluate the methods used in the entity's estimation process](#)'; and
- for methods used in the estimation process that were developed by the management's specialist - activity '[Evaluate the method\(s\) used by the management's specialist](#)'.

[What do we focus on when the KPMG specialist uses independently derived assumptions and/or methods, for example when developing an independent expectation of an estimate?](#)

When the work of a KPMG specialist involves the use of alternative assumptions and/or methods that were independently derived by the specialist (for example, when developing an independent expectation of an estimate as either a point estimate or a range), our procedures are primarily directed to evaluating these alternative assumptions and methods, including models where appropriate, used by the KPMG specialist. We focus our evaluation on whether the KPMG specialist had a reasonable basis for the assumptions and/or methods selected, including models where appropriate. More specifically, we determine whether the specialist's selection of the assumptions and/or methods, including models where appropriate, was determined arbitrarily or instead based on consideration of the following matters:

Element	Matters
Method / model	<ul style="list-style-type: none"> <li>• Whether the method selected is appropriate in the context of the financial reporting framework or the nature of the account or disclosure and, if applicable, changes from the KPMG specialist's method used in the prior period are appropriate.</li> <li>• Whether the method is consistent with the business, industry, and environment in which the entity operates or the method generally accepted within the field of the KPMG specialist.</li> <li>• Whether the calculations made in accordance with the method are mathematically accurate.</li> <li>• Whether the integrity of the relevant assumptions and the data has been maintained in applying our method.</li> <li>• If the KPMG specialist made adjustments to the output of the model, whether those adjustments are consistent with the measurement objective of the applicable financial reporting framework and appropriate in the circumstances.</li> </ul>

Assumption	<ul style="list-style-type: none"> <li>• Whether the assumption is appropriate in the context of the applicable financial reporting framework and, if applicable, changes from assumptions used in prior periods are appropriate.</li> <li>• Whether the assumption is consistent with: (i) relevant industry, regulatory, and other external factors, including economic conditions, (ii) the entity's objectives, strategies, and related business risks, (iii) existing market information; (iv) historical or recent experience, along with changes in conditions and events affecting the entity; and (v) relevant assumptions used in other estimates tested in the entity's financial statements.</li> <li>• Whether the assumption is consistent with assumptions generally accepted in the KPMG specialist's field, if any.</li> <li>• If the assumption depends on the entity's intent or ability to carry out specific courses of action, whether management has the intent and ability to carry out those specific courses of action.</li> </ul>
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What do we consider when the work of the KPMG specialist involves the use of source data that is significant to the work of the specialist? [ISA | 7680.14199]

When the work of the KPMG specialist involves testing or evaluating source data used by the entity or the management's specialist, we evaluate whether the specialist has adequately tested or evaluated such source data and appropriately addressed the considerations included within activity, '[Evaluate the relevance and reliability of information used as audit evidence](#).' If the data tested or evaluated by the KPMG specialist relates to an accounting estimate, we also evaluate whether the specialist's work has adequately considered whether the data was appropriately used in the entity's estimation process, as described in activity '[Evaluate the data used in the entity's estimation process](#).'

When the work of the KPMG specialist involves using the specialist's own data (including data obtained from an external source) that is significant to the work of the specialist, we evaluate whether the specialist had a reasonable basis for the data. More specifically, we determine whether:

- the specialist's selection of the data was determined arbitrarily or instead based on consideration of the relevance and reliability of information available to the specialist;
- the data is appropriate in the context of the applicable financial reporting framework;
- the data is sufficiently precise and detailed for use in the work performed by the specialist; and
- if applicable, changes in data from prior periods are appropriate.

What do we do when the employed KPMG specialist identifies specific matters in the audit documentation? [ISA | 7680.14265]

We assess whether the specific matter is significant to their conclusions by considering such items as materiality of the matter, complexity of the matter, whether the specific matter could reasonably be expected to influence users of the financial statements.

**What is a specific matter?**

A specific matter may consist of relevant underlying assumptions or other key inputs that were not tested by the employed KPMG specialist. This may occur when additional assumptions or other inputs

are identified after we have reached the understanding with the employed KPMG specialist about the work to be performed and the specialist is not able to evaluate those inputs.

For example, some of the inputs identified during the employed KPMG specialist's work may include historical income statements, historical balance sheets, shares outstanding, capital structure, projected financial information, probability of a liquidity event and the type of liquidity event. The audit engagement team (rather than a specialist) may be in a better position to evaluate these inputs.

Other specific matters may include other observations in the documentation prepared by the employed KPMG specialist that may require follow-up by the audit engagement team (e.g. management letter points, indications of deficiencies in internal control) or that may appear to contradict management's assertions.

For example, the employed KPMG specialist may observe that the entity has omitted to consider a credit valuation adjustment for derivatives that materially impacts valuations in the current period

**If the specific matter is significant to their conclusions, how do we continue with our audit procedures?**

We discuss and agree to the manner in which the specific matters included in the audit documentation are expected to be addressed and resolved, and document such agreement. Then, employed KPMG specialists satisfy themselves with the resolution of any such specific matters and incorporate their findings into their overall conclusion prior to signing-off on the related audit documentation.

**If the specific matter is not significant to their conclusion, how do we continue with our audit procedures?**

The nature of specific matters that are not significant to the employed KPMG specialist's conclusions is clearly described as such, and the employed KPMG specialist indicates in the audit documentation that the matters do not impact their conclusions for the period under audit.

**What do we do when we discuss an identified or potential control deficiency with the employed KPMG specialist?** [ISA | 7680.14269]

If we discuss with the employed KPMG specialist the implications of an identified or potential control deficiency, the deliverable provided by the employed KPMG specialists includes such discussions.

**What is the extent of documentation expected from the employed KPMG specialist?** [ISA | 7680.14270]

The deliverable prepared by the employed KPMG specialist includes, at a minimum:

- description of the nature of the involvement of the employed KPMG specialists
  - an understanding of the conditions which gave rise to their involvement in the engagement, based on discussions with us (e.g. significance of estimates or accounts being audited to the financial statements as a whole).
- procedures performed by the employed KPMG specialists and related findings



- employed KPMG specialists document the relevant assumptions and methods, if any, used and/or evaluated by them and whether they are reasonable and appropriate, including the basis for their conclusions.
- employed KPMG specialists document the data used and/or evaluated by them, if any, and whether it is relevant and reliable, including the basis for their conclusions.
- conclusions reached by the employed KPMG specialists based on their work
  - employed KPMG specialists document their conclusions, based on the results of procedures performed and related findings, regarding the area(s) of the audit in which they are involved.
  - conclusions do not include qualifying language or contradictory information, and are not expressed as negative assurance (e.g. "nothing came to our attention...").
- training completed by the employed KPMG specialist as per procedures in '[Determine the knowledge, skill and ability of employed KPMG specialists](#).'
- signature of the employed KPMG specialist(s)
  - the deliverable includes evidence of the sign-off by the employed KPMG specialist(s) who prepared and reviewed, if applicable, the deliverable.

Is there anything additional we are aware of in regards to the employed KPMG specialists' documentation? [ISA | 7680.14283]

Yes. We keep in mind that all work papers prepared and/or reviewed by the employed KPMG specialists in connection with their involvement in the audit are an element of audit evidence and, therefore, are retained in the audit file.

Also, communication by employed KPMG specialists about industry-leading practices or recommendations that do not impact their conclusions are not appropriate to be included in the specialists' deliverables.

What else might we think about when reviewing the work of the employed KPMG specialist? [ISA | 7680.14285]

We may think about how the employed KPMG specialist has:

- communicated their findings to the engagement partner/other partner and engagement manager and when;
- evidenced their challenge to management's assumptions and management's response;
  - For example, if we were initially provided with a valuation model that we did not consider appropriate, we include documentation of how the specialist raised the issue for discussion with management and how management responded.
- documented the specific details about key meetings - date of meeting, who (name and position) they met with, who from KPMG attended and whether there are notes or minutes; and
- referenced the detailed working papers provided to the audit engagement team for inclusion in the audit file.

What if we conclude the KPMG specialist's work is not sufficient based on our evaluation? [ISA | 7680.14361]

If the KPMG specialist's work is not sufficient for our purposes, we perform activity, '[Perform additional procedures when the employed KPMG specialist's work is not sufficient](#).'



## 9.2 Determine the nature, timing and extent of our evaluation of the work of the employed KPMG specialist [ISA | 7681]

### What do we do?

Determine the nature, timing and extent of our evaluation of the work of the employed KPMG specialist

### Why do we do this?

As risks are different for each engagement, we vary our audit procedures to evaluate the KPMG specialist's work accordingly. When doing so, we consider certain factors to determine the nature, timing and extent of our evaluation procedures that will be appropriate for the particular situation.

### Execute the Audit

What do we consider when determining the nature, timing and extent of the procedures we perform to evaluate the work of the KPMG specialist? [ISA | 7681.14257]

We consider the following factors when determining the nature, timing and extent of the procedures we will perform to evaluate the KPMG specialist's work:

- the CAR related to the matter to which the specialist's work relates;
- significance of the specialist's work to our conclusion on the related RMM(s); and
- knowledge, skill and ability of the specialist.

What do we think about when assessing the significance of the KPMG specialist's work to our conclusions?

The significance of the KPMG specialist's work refers to the degree to which we intend to use the work of the specialist to support our conclusions about the related RMM(s).

For example, think about a situation where we are testing an accounting estimate and ask a KPMG specialist to evaluate a number of relevant assumptions that are key drivers in our RMM assessment for various elements of the estimate. The significance of the specialist's work to our conclusion in this situation is likely higher as compared to a situation where we test the entity's process ourselves and only involve the specialist to develop an independent estimate as a secondary check on the estimate.

How do the factors discussed above affect the nature, timing and extent of the procedures we perform to evaluate the work of the KPMG specialist?

The below table summarizes how each of the factors may impact our procedures.

Factor	More evaluation needed	Less evaluation needed
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Assessed CAR	Areas where inherent risk is assessed as Elevated or Significant	Areas where inherent risk is assessed as Base
Significance of the work of the specialist to our conclusion	The specialist's work is integral to the audit	The specialist's work provides a secondary check on a matter evaluated by the audit team
Knowledge, skill and ability of the KPMG specialist	Lower level of knowledge, skill and ability	Higher level of knowledge, skill and ability
Objectivity of the engaged KPMG specialist	We identify relationships between the specialist and the entity which may affect the specialist's objectivity	No concerns are identified about the specialist's objectivity

#### What does 'more evaluation' versus 'less evaluation' look like?

In all cases, we review the KPMG specialist's report or equivalent documentation that describes the work performed by the specialist and the findings or conclusions reached by the specialist. Through the review, we determine whether:

- the work performed by the specialist was in accordance with our understanding and agreement with the specialist; and
- their findings and conclusions are consistent with (1) the results of the work performed by the specialist, (2) other evidence obtained by us, and (3) our understanding of the entity and its environment. See further discussion of the scope and objectives of our review of the specialist's work and reports in the following activities:
  - ['Review the employed KPMG specialist's work and report or equivalent documentation'](#)
  - ['Review the engaged KPMG specialist's work and report or equivalent documentation'](#)

If the KPMG specialist's report or equivalent documentation does not include sufficient information to allow us to make the above determinations, we expand our review to include additional work papers and other supporting documentation prepared by the specialist. We also expand our review and perform additional procedures based upon whether we have determined that 'more' or 'less' evaluation is necessary. The additional procedures may include:

- inquiry of the specialist about their findings;
- observation of the specialist's work;
- examination of the published data, such as statistical reports from reputable, authoritative sources;
- confirmation of relevant matters with third parties;
- performance of detailed analytical procedures;
- reperformance of certain calculations;
- discussion with another specialist with relevant expertise; or

- discussion of the specialist's findings with management.

## 9.3 Perform additional procedures when the employed KPMG specialist's work is not sufficient

[ISA | 7682]

### What do we do?

Perform additional procedures when the employed KPMG specialist's findings or conclusions contradict the relevant assertion or the employed KPMG specialist's work does not provide sufficient appropriate evidence

### Why do we do this?

We perform additional procedure when we have determined that the specialist's work is not adequate for our purposes given our responsibility for the audit. When we have identified a risk of material misstatement that requires a response, we perform work until we have obtained sufficient appropriate evidence to support our conclusions and our auditor's report.

### Execute the audit

What are examples of situations in which the KPMG specialist's work may not be sufficient and additional procedures could be necessary? [ISA | 7682.14303]

Examples of situations in which the KPMG specialist's work may not be sufficient and additional procedures could be necessary include:

- The specialist's work was not performed in accordance with the our instructions;
- The specialist's report, or equivalent documentation, contains restrictions, disclaimers, or limitations that affect our use of the report or work;
- The specialist's findings and conclusions are inconsistent with (1) what is presented in the entity's financial statements, (2) the results of the work performed by the specialist, (3) other evidence obtained by us (for example, evidence obtained during quarterly reviews vs. year-end audit procedures), or (4) our understanding of the entity and its environment;
- The specialist lacks a reasonable basis for data or relevant assumptions the specialist used; or
- The methods used by the specialist were not appropriate.

Do all restrictions, disclaimers or limitations included in the KPMG specialist's report have the same effect on our ability to use the specialist's report or work as audit evidence? [ISA | 7682.14304]

Generally, no. Not all restrictions, disclaimers or other limitations are created equal and we evaluate their nature to understand their effect, if any, on (a) the relevance and reliability of the audit evidence the specialist's work provides and (b) how we can use the specialist's report or work as audit evidence.

For example, a KPMG specialist's report that states "the values in this report are not an indication of the fair value of the underlying assets" generally would not provide sufficient appropriate evidence

related to fair value measurements. On the other hand, a KPMG specialist's report that indicates that the specialist's calculations were based on information supplied by management may still be appropriate for use by us to support the relevant assertion, since we may have tested the entity-produced data used in the specialist's calculations.

#### What do we do when the KPMG specialist's work is not in accordance with our understanding and agreement with the specialist? [ISA | 7682.14305]

If the KPMG specialist's work is not in accordance with the understanding and agreement between us and the specialist, we may perform the following procedures:

- Discuss with the KPMG specialist what procedures were not performed and the reasons why the specialist has not performed those procedures;
- Discuss with the KPMG specialist what alternative procedures might have been performed in place of the procedures originally agreed upon.

#### What if we are unable to obtain sufficient appropriate evidence through the performance of additional procedures? [ISA | 7682.14307]

If we conclude that the work of the specialist is not adequate for our purposes and we cannot resolve the matter through the performance of additional audit procedures, it may be necessary to express a modified opinion in the auditor's report in accordance with the activity, '[Modify the audit opinion for specific circumstances](#),' because we have not obtained sufficient appropriate audit evidence.

## Appendix - Considerations for Agreement between the Auditor and an Auditor's External Expert

### International Standards on Auditing: ISA 620. Appendix Appendix Considerations for Agreement between the Auditor and an Auditor's External Expert

(Ref: Para. A25)

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 ISA. 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.
- 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 the basis for a modified opinion in the 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 (for example, written report, oral report, ongoing input to the engagement team).
  - 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.

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