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## Improving the practice of using expert work in ESG audits

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### Abstract

In this article, in the context of sustainable development in ESG audit. The practice of using expert work in ESG audits unique features The research was reviewed and suggestions and recommendations were made.

**Keywords:** Internal expert, external expert, other auditor, quality management system, competency assessment.

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### Introduction.

The complexity of the modern economy, the diversification of the activities of business entities, and the increasing volume of financial and non-financial information are placing new demands on auditing activities. Today, auditing is not limited to the verification of accounting data, but requires multidisciplinary knowledge, such as asset valuation, environmental impact assessment, process analysis, actuarial calculations, and risk assessment. In such conditions, it is practically difficult for an auditor to have sufficient specialized knowledge in all areas. Therefore, the use of expert expertise in audit practice is considered one of the important means of ensuring the sufficiency and reliability of audit evidence. International auditing standards, in particular, The International Standard on Auditing 620, "Using the Work of an Auditor's Expert," establishes the need for the auditor to engage independent experts in situations where specialized knowledge is required. The experts' professional knowledge and experience serve to

increase the accuracy of complex assessments, reduce audit risk, and strengthen the validity of the auditor's conclusion.

### **Literature review.**

According to Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2017), "Auditors often use the services of expert professionals when specialized technical knowledge outside of accounting and auditing is required."

According to Knechel, Salterio, and Ballou (2020), "The use of experts in areas related to valuation, environmental issues, and actuarial assumptions is an important component of the audit process."

According to Messier, Glover, and Prawitt (2016), "The use of specialist experts enhances audit quality by enabling more in-depth analysis of complex assessments and technical issues."

According to Hayes, Wallage, and Gortemaker (2014), "Although the auditor may rely on the work of an expert, the ultimate responsibility for the audit opinion remains with the auditor."

### **Research methodology.**

The research used induction, deduction, systematic and comparative analysis, grouping, experimentation, adaptive methods, integrative approaches, and analysis and approbation of international experiences.

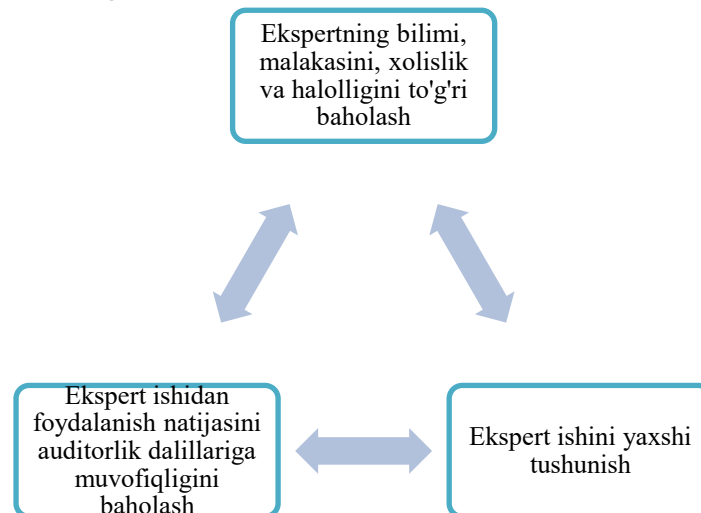
### **Analysis and discussion of results**

Where the preparation of an ESG report involves the use of expertise in a field other than accounting, a qualified auditor in accounting and auditing may not have the necessary expertise to audit those financial statements. The engagement partner should ensure that the engagement team and any auditor's external experts, together, have the appropriate skills and qualifications to perform the audit engagement. The auditor should also determine the nature, timing and extent of the resources required to perform the engagement. The auditor's decision whether, and if so, when and to what extent, to engage an audit expert will assist the auditor in fulfilling these requirements. As the audit progresses or as circumstances change, the auditor may need to reconsider previous decisions to engage an expert.

The experts hired by the auditor are divided into two types: internal experts and external experts.

An internal expert is an employee of the client company or an expert hired by the client company.

An external expert is an expert who is an employee of the audit organization or, if not, hired by the auditor to help collect sufficient and appropriate evidence. It should be noted that external experts are considered more reliable than internal experts. However, there are specific areas for using internal experts.



**Figure 1. Specific aspects of using internal expert work in ESG audits<sup>1</sup>**

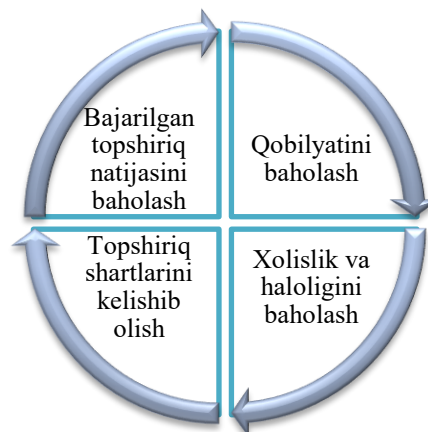
When using the work of an internal expert, the auditor must first assess the knowledge, skills, and abilities of this expert. It should be remembered that using the work of an expert who does not have sufficient knowledge, skills, and abilities directly affects the reliability of the evidence.

In addition, when hiring an internal expert, the auditor should ensure that the expert is impartial and that he/she does not have any close relationship with the client company or similar. An expert who is closely related to management will be more useful to management than to the auditor, which will undermine the objectivity and transparency of the audit report.

In ESG audit processes, if the auditor lacks sufficient technical knowledge or has difficulty collecting sufficient and appropriate evidence, he or she may also use the services of an external expert. Examples of external expert services include the following:

<sup>1</sup>Systematized by the author

- In matters of determining the amount of greenhouse gas (CO<sub>2</sub>) emissions;
- In matters of determining energy consumption and the share of renewable energy;
- To investigate the extent to which water resources are used efficiently;
- In matters of studying and evaluating waste processing processes;
- Regarding the impact on biodiversity;
- Regarding the study of the state of compliance with environmental laws;
- In matters of studying the created working conditions and occupational safety;
- Regarding the study of employee rights and non-discrimination
- In order to determine employee turnover
- On issues of education and professional development
- In matters of identifying ESG risks associated with assets
- Regarding the study of contracts and their compliance with legal documents;
- In matters of valuation of financial instruments, land and buildings, and similar assets that are difficult to value, and in other matters.



**Figure 2. Specific aspects of using external expert work in ESG audits<sup>2</sup>**

*Ability assessment.* The assessment of the competence of an external expert is determined by the level of knowledge and skills of the expert and

<sup>2</sup>Presented in this form by the author

the extent to which he or she can perform the assigned task qualitatively. Several sources are used to assess the competence of an expert.

*Assessing impartiality.* It is very difficult to assess the objectivity of an external expert because they may not adhere to the same code of ethics as the auditor and therefore be unaware of the ethical requirements and threats with which auditors are familiar.

*Agree on the terms of the assignment.* After the auditor has considered the above issues, he or she should agree on the issues with the external expert, preferably in writing.

*Evaluating the result of the completed task.* After the expert's work is completed, the auditor should review it carefully and evaluate its relevance to the audit objectives. In particular, the auditor should consider the following:

The use of an external expert is not disclosed in the unmodified auditor's report unless required by law or regulation. A reference to the expert's work may be included in the modified report if it is relevant to an understanding of the modification. This does not reduce the auditor's responsibility for the opinion.

### **Conclusion and suggestions.**

The results of the study show that the widespread implementation of sustainable development principles in the modern economy has significantly expanded the scope of auditing activities, leading to the formation of ESG auditing as an independent audit direction. The effectiveness of ESG auditing largely depends on the sufficiency, relevance and reliability of the evidence collected by the auditor, as well as the rational use of expert knowledge when necessary.

The study found that the technical and multidisciplinary nature of ESG indicators limits the auditor's ability to have sufficient specialized knowledge in all areas, and as a result, it was substantiated that the use of expert work is an important factor in increasing the quality of the audit. While the conclusions provided by experts serve to strengthen the audit evidence, it was scientifically substantiated that the auditor needs to assess the competence, independence and reliability of the expert work and the methodology used.

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