

# Update on the Auditor's Use of the Work of Specialists

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# Disclaimer

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The views expressed by each of the presenters are their own personal views and not necessarily those of the PCAOB, members of the Board, or the PCAOB staff.

# Project Timeline

Date	Action
May 28, 2015	Issued Staff Consultation Paper ("SCP"), <u><i>The Auditor's Use of the Work of Specialists</i></u>
June 18, 2015	SAG meeting discussion
July 31, 2015	Comment period ended
Sept. 9, 2015	IAG meeting discussion
Nov. 13, 2015	SAG meeting discussion
Next Steps	The staff anticipates recommending that the Board propose for public comment revisions to its current standards on the auditor's use of the work of specialists

# Agenda

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- Commenters by demographic group
- Key comment themes related to
  - Need for improvement
  - Auditor's specialist
  - Company's specialist

# Commenters by Demographic Group

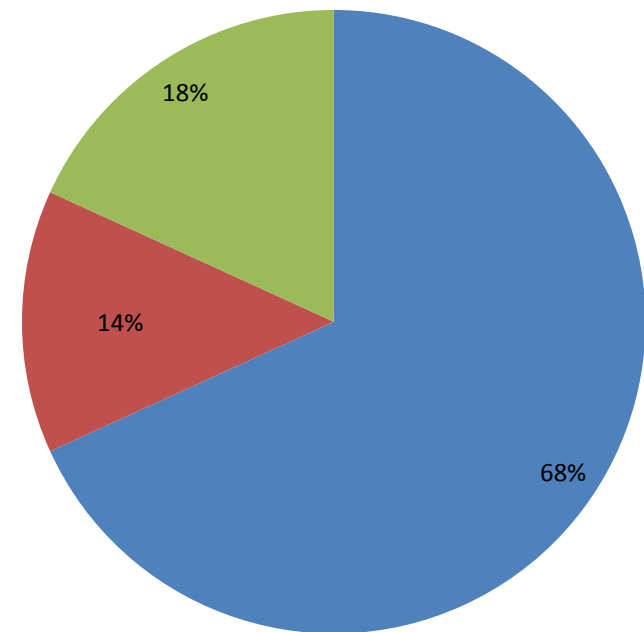
Affiliation of Commenters	Count/Subtotals
Accounting firm – annually inspected	8
Accounting firm – large regional	7
Accounting firm – smaller	2
Associations of accountants	7
<b>Accountants</b>	<b>24</b>
Public companies	1
Associations of companies	5
<b>Companies</b>	<b>6</b>
Investors	1
Specialists	5
Associations of specialists	2
<b>Specialists</b>	<b>7</b>
Regulators/standard setters	3
Academics	2
Individual	1
<b>Others</b>	<b>6</b>
<b>Total</b>	<b>44</b>

# Key Comment Themes

# Need for Improvement

- Most commenters expressed support for staff's further consideration of improvements to PCAOB standards
- Few commenters suggested the SCP did not establish a need for improvement
  - Some commenters focused on certain items cited in the SCP (e.g., inspections findings, enforcement actions, and academic references)

**Staff considers that it has support for continuing work on the project to improve the standards related to the auditor's use of the work of specialists**



■ Support

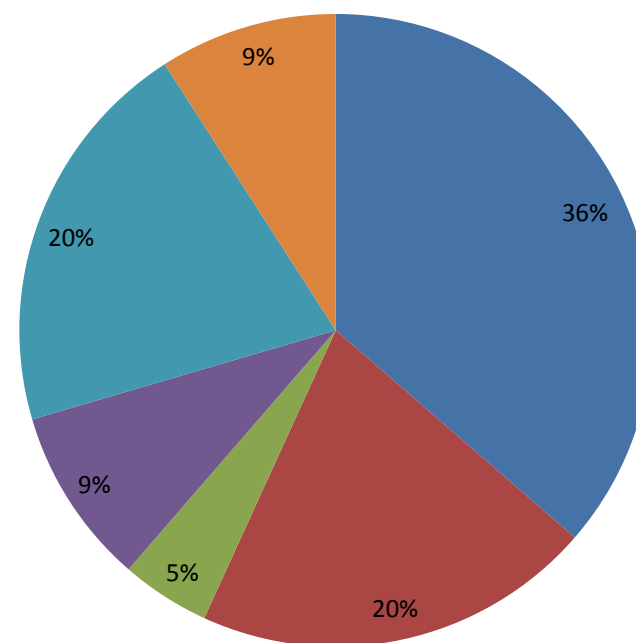
■ Oppose

■ N/A - did not comment

# Auditor's Specialist

## *Similar Procedures when Using the Work of an Employed and an Engaged Specialist*

- Commenters supported
  - Aligning the requirements with ISA 620, *Using the Work of an Auditor's Expert*, by
    - Developing a separate standard, or
    - Amending AU sec. 336
  - Making other amendments to AU sec. 336
    - For example, by improving the requirements for evaluating the specialist's qualifications and objectivity
- Commenters expressed limited support for extending AS No. 10 to cover an auditor's engaged specialist



- Align requirements with ISA 620
- Other amendments to AU sec. 336
- Amend or extend AS No. 10
- Maintain status quo (minor revisions only)
- N/A - did not comment
- Other



# Auditor's Specialist

## *Potential Independence or Objectivity Requirements*

- Of those who commented on this topic
  - Few (including an investor) supported applying independence requirements to an auditor's engaged specialist
  - Many accounting firms supported enhancing the requirements in AU sec. 336 for evaluating an engaged specialist's objectivity

# Auditor's Specialist

## *Potential Performance Requirements*

- Commenters supported, with certain modifications, the specific performance requirements described in the SCP, including those for
  - Evaluating the knowledge and skill of an auditor's specialist
  - Informing a specialist of his or her responsibilities
  - Evaluating the work of an auditor's specialist

# Question for Discussion

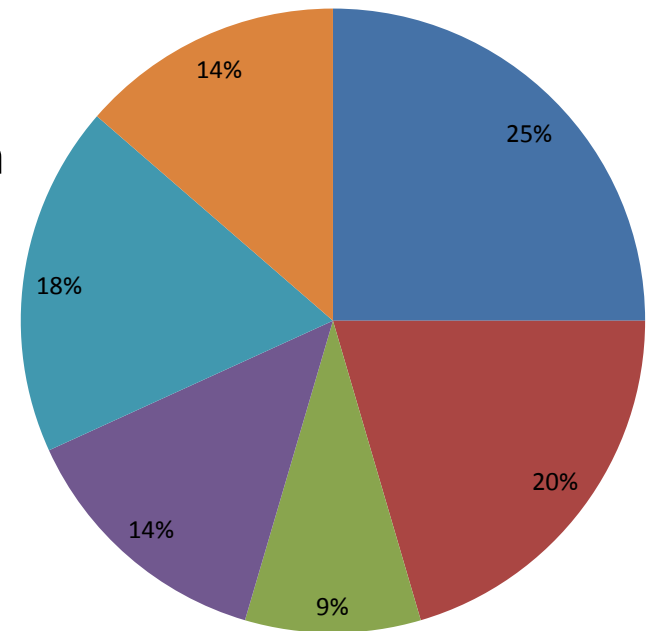
## *Auditor's Specialist*

- Commenters supported aligning the requirements with those in ISA 620
- ISA 620.12 requires the auditor to evaluate the adequacy of the auditor's expert's work for the auditor's purposes, including:
  - The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence
  - If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances
  - 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

**What are your views on the appropriateness of using similar requirements as a basis for a potential PCAOB standard on using the work of an auditor's specialist?**

# Company's Specialist

- Commenters supported
  - Aligning the requirements with ISA 500, *Audit Evidence*, including its application material
  - Amending AU sec. 336 (e.g., strengthen the procedures in AU sec. 336 for evaluating the work of a company's specialist)
- Some commenters supported minor revisions to AU sec. 336
- Few commenters supported rescinding AU sec. 336



- Align requirements with ISA 500
- Amend AU sec. 336
- Rescind AU sec. 336 (treat the work of a company's specialist as information provided by the company)
- Maintain status quo (minor revisions only)
- N/A - did not comment
- Other

# Question for Discussion

## *Company's Specialist*

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- ❑ Commenters supported aligning the requirements with those in ISA 500
- ❑ ISA 500.08 requires that if information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes:
  - Evaluate the competence, capabilities, and objectivity of that expert;
  - Obtain an understanding of the work of that expert; and
  - Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion.

**What are your views on the appropriateness of using similar requirements as a basis for a potential PCAOB standard on using the work of a company's specialist?**