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To: Comments
Subject: Docket 21

My Comments are below for:

PCAOB Release No. 2006-007: Proposed Auditing Standard – An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements
http://www.pcaob.org/Rules/Docket_021/2006-12-19_Release_No._2006-007.pdf

Comment #1

On page A2-4. number 7 reads “The auditor should evaluate the extent to which he or she will use the work of others. Areas in which the auditor might use the work performed by others to reduce the procedures the auditor otherwise would have performed include –

- Procedures the auditor performs when obtaining an understanding of the company's internal control over financial reporting;
- Procedures the auditor performs when assessing risk;
- Procedures the auditor performs when testing the effectiveness of controls; and
- Substantive procedures the auditor performs when testing account balances and disclosures.”

My comment/query is that, shouldn't the auditor initially focus, whether he/she can rely on the risk assessment performed by others instead of performing walkthroughs to understand the internal control?

Secondly, in a situation where auditor cannot rely on risk assessment performed by others, is it still applicable to go further with re-testing of walkthroughs and operating effectiveness assessment performed by others. Keeping in view that for an auditor, the unsatisfying risk assessment work done by others will follow through in their similarly unsatisfying scoping, walkthroughs and operating effectiveness assessment as well.

Comment #2

In relation to above, as it then related to page A2-8 number 18 which reads "*Testing the Work of Others*. If the auditor uses the work of others to reduce the procedures the auditor otherwise would have performed, the auditor should test some of the work of others to evaluate the quality and effectiveness of the work. The nature and extent of the tests that the auditor should perform depend on the effect of the work of others on the auditor's procedures but should be sufficient to enable the auditor to make an evaluation of the overall quality and effectiveness of the work the auditor is considering. The auditor also should assess whether this evaluation has an effect on his or her conclusions about the competence and objectivity of the individuals performing the work."

My comment/query is that, the wording "some of the work of others" is very subjective, a minimum baseline should be recommended. Also the wording states "auditor should test some of the work of others", does it mean re-performing the test of the same controls with different samples? or same samples? or desktop review of evidence and testing documentation performed by others would suffice.

Regards,

FD

Note: This submission is made on my personal behalf and as such reflects my personal views only and not the views of my employer or clients.

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