

Supervising or Using the Work of an Auditor's Specialist

Insights for Auditors

Overview

New requirements for supervising the work of a specialist employed by the auditor's firm or using the work of a specialist engaged by the auditor's firm apply to audits of financial statements for fiscal years ending on or after December 15, 2020. The new requirements, can be found in [Appendix C to AS 1201, Supervision of the Audit Engagement](#) (when using the work of an auditor-employed specialist); and [AS 1210, Using the Work of an Auditor-Engaged Specialist](#).

This publication highlights information for auditors as they begin to plan and perform work on audits to which the new requirements apply. It also illustrates relevant considerations for the auditor when supervising the work of an auditor-employed specialist or using the work of an auditor-engaged specialist, including certain information from the adopting release. Appendix 3 of the adopting release includes a detailed discussion of the new requirements, including differences from and similarities to current requirements. The information included in this publication is not a substitute for any rule or standard; only the rules and standards provide the auditor with the definitive requirements.

Staff guidance on the new requirements for using the work of a company's specialist as audit evidence is also available. See [Staff Guidance: Using the Work of a Company's Specialist](#). Guidance on auditing accounting estimates and on auditing the fair value of financial instruments is also available. (See [Staff Guidance: Auditing Accounting Estimates](#) and [Staff Guidance: Auditing the Fair Value of Financial Instruments](#)).

What is an Auditor's Specialist?

Under PCAOB standards, a specialist is a person (or firm) possessing special skill or knowledge in a particular field other than accounting or auditing. A person (or firm) with specialized skill or knowledge in information technology or income taxes is not a specialist, as information technology and income taxes are specialized areas of accounting and auditing.

[AS 2101, Audit Planning](#), requires the auditor to determine whether specialized skill or knowledge is needed to perform appropriate risk assessments, plan or

What's included?

- ✓ Overview
- ✓ What is an Auditor's Specialist
- ✓ Supervising or Using the Work of an Auditor's Specialist

This guidance was prepared by PCAOB staff to help auditors implement the new requirements for when auditors supervise or use the work of an auditor's specialist. It does not constitute rules or standards of the Board, nor has it been approved by the Board. It supplements PCAOB Release No. 2018-006, *Amendments to Auditing Standards for Auditor's Use of the Work of Specialists* (Dec. 20, 2018).

perform audit procedures, or evaluate audit results. An auditor may employ or engage specialists. Both auditor-employed specialists and auditor-engaged specialists may assist auditors in, among other things, obtaining or evaluating audit evidence with respect to a relevant assertion of a significant account or disclosure.

Auditor-employed specialist

An auditor-employed specialist is employed by the auditor's firm and is a member of the engagement team. The same supervision requirements in [AS 1201](#) apply to auditor-employed specialists as apply to other members of the engagement team. Appendix C of AS 1201 provides specific requirements for supervising an auditor-employed specialist that supplement those general requirements.

Auditor-engaged specialist

An auditor-engaged specialist is engaged by the auditor's firm, but is not a member of the engagement team. Requirements in AS 1210 apply when using the work of auditor-engaged specialists.

Supervising or Using the Work of an Auditor's Specialist

When an auditor is supervising or using the work of an auditor's specialist, the auditor's requirements include:

- Assigning tasks to and determining independence of an auditor-employed specialist;
- Assessing the knowledge, skill, and ability (KSA) of an auditor-engaged specialist;
- Assessing the objectivity of an auditor-engaged specialist;
- Informing the auditor's specialist of the work to be performed;
- Determining the extent of review of the work of an auditor's specialist; and
- Evaluating the work of the auditor's specialist.

Assigning tasks to, and determining independence of, an auditor-employed specialist

Auditor-employed specialists are engagement team members, which means they are required to be assigned tasks and supervised commensurate with their KSA, so they can evaluate the audit evidence they are examining. Auditor-employed specialists must also be independent of the audit client throughout the audit and professional engagement period. Specifically, the auditor-employed specialist has an obligation to satisfy all PCAOB and SEC independence criteria applicable to the audit engagement under [PCAOB Rule 3520, Auditor Independence](#).

Assessing the KSA of an auditor-engaged specialist

The auditor's assessment of the specialist's KSA affects the auditor's determination of (1) whether the specialist possesses a sufficient level of KSA to perform the type of work under consideration and (2) the necessary extent of the review and evaluation of the specialist's work.

The auditor should assess the KSA of an auditor-engaged specialist in the particular field for the type of work under consideration. This includes obtaining an understanding of the following with respect to the specialist and the entity that employs the specialist:

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

A variety of sources may provide relevant information for assessing the KSA of the auditor-engaged specialist. Examples of potential sources of information that, if available, could be relevant include:

- Information the audit firm has related to the professional qualifications and reputation of the specialist and the entity that employs the specialist, if applicable, in the relevant field as well as the audit firm's experience with previous work of the specialist;
- Information that can be gathered from professional or industry associations and organizations, which may provide information on: (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;
- Information provided by the specialist about matters regarding the specialist's understanding of the financial reporting framework, experience in performing similar work, and the methods and assumptions used in the specialist's work the auditor plans to evaluate;
- The specialist's responses to questionnaires about the specialist's professional credentials;
- Published books or papers written by the specialist; and
- Requirements applicable to the specialist pursuant to legislation or regulation.

Assessing the objectivity of an auditor-engaged specialist

The auditor should assess whether the auditor-engaged specialist has the necessary degree of objectivity to exercise impartial judgment on all issues encompassed by the specialist's work related to the audit. This includes evaluating whether the specialist, or the specialist's employer, has a relationship to the company (e.g., through employment, financial, ownership, or other business relationships, contractual rights, family relationships, or otherwise), or other conflicts of interest relevant to the work to be performed.

The evidence necessary to assess the specialist's objectivity depends on the significance of the specialist's work and the related risk of material misstatement. Examples of potential sources of information that could be relevant to the auditor's assessment of the specialist's objectivity include, but are not limited to:

- Information obtained by the auditor from procedures performed pursuant to [AS 2410, Related Parties](#);
- Engagement contracts between the company and the specialist, or the specialist's employer;
- Responses to questionnaires regarding relationships between the specialist, or the specialist's employer, and the company;
- Written representations or other information provided by the specialist concerning relationships with the company; and
- Disclosures about relationships with the company 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.

Certain sources of information listed above may provide more persuasive evidence than others. When more persuasive evidence is needed, it may be necessary to perform procedures to obtain evidence from multiple sources.

The existence of a relationship between the company and the auditor-engaged specialist does not prevent the auditor from using the work of the auditor-engaged specialist. If the specialist or the entity that employs the specialist has a relationship with the company that affects the specialist's objectivity, however, the auditor should either perform additional procedures (e.g., to evaluate the data, significant assumptions, and methods that the specialist is responsible for testing, evaluating, or developing) or engage another specialist.

As the specialist's degree of objectivity increases, the evidence needed from additional procedures decreases. If the specialist has a low degree of objectivity, the auditor should evaluate the data, significant assumptions, and methods used by the auditor-engaged specialist under the requirements in [Appendix A of AS 1105, Audit Evidence](#), for evaluating the work of a company's specialist.

Informing the auditor's specialist of the work to be performed

The auditor is required to inform the auditor's specialist—whether employed or engaged—about the work to be performed, which includes establishing and documenting an understanding with the specialist regarding:

- The responsibilities of the specialist, including the objectives of the work to be performed;
- The nature of work that the specialist is to perform or assist in performing, including the specialist's degree of responsibility for:
 - Testing company data or evaluating the relevance and reliability of data from external sources;

- Evaluating significant assumptions used by the company or the company's specialist, or developing his or her own assumptions;
- Evaluating the methods used by the company or the company's specialist, or using his or her own methods; and
- ⦿ The responsibility of the specialist to provide a report, or equivalent documentation, to the auditor.

This understanding can be documented in a variety of ways, such as in planning memoranda, separate memoranda, or other related work papers.

The auditor also should inform the auditor's specialist about matters that could affect the specialist's work. This includes, as applicable:

- ⦿ Information about the company and its environment;
- ⦿ The company's processes for developing the related accounting estimate;
- ⦿ The company's use of specialists in developing the estimate;
- ⦿ Relevant requirements of the applicable financial reporting framework; and
- ⦿ Possible accounting and auditing issues.

In addition, the auditor should inform the auditor-employed specialist about the need to apply professional skepticism.

Under the new requirements, the auditor should implement measures to determine that there is a proper coordination of the specialist's work with the work of relevant engagement team members to achieve a proper evaluation of the evidence obtained in reaching a conclusion about the relevant assertion. This includes implementing measures to comply with relevant auditing standards, including, when applicable, [AS 2501, Auditing Accounting Estimates, Including Fair Value Measurements](#) and [Appendix A of AS 1105](#), if an auditor's specialist is used:

- ⦿ To develop (or assist in developing) an independent expectation of an accounting estimate;
- ⦿ To test (or assist in testing) the company's process to develop an accounting estimate; and
- ⦿ To evaluate the work of a company's specialist.

Determining the extent of review of the work of an auditor's specialist

Under the new requirements, the necessary extent of review and evaluation of the work of an auditor's specialist—whether employed or engaged—depends on:

- ⦿ The significance of the specialist's work to the auditor's conclusion regarding the relevant assertion;
- ⦿ The risk of material misstatement of the relevant assertion; and
- ⦿ The KSA of the specialist relevant to the work to be performed by the specialist.

Evaluating the work of the auditor's specialist

The auditor is required to evaluate whether the report, or equivalent documentation, of the specialist—whether employed or engaged—provides sufficient appropriate evidence. This includes evaluating whether:

- The specialist's work and report, or equivalent documentation, are in accordance with the auditor's understanding with the specialist; and
- The specialist's findings and conclusions are consistent with results of the work performed by the specialist, other evidence obtained by the auditor, and the auditor's understanding of the company and its environment.

If the specialist's findings or conclusions appear to contradict the relevant assertion, or the specialist's work does not provide sufficient appropriate evidence, the auditor should perform additional procedures, or request the specialist to perform additional procedures, as necessary to address the issue. Examples of situations in which additional procedures ordinarily are necessary include:

- The specialist's work was not performed in accordance with the auditor's instructions;
- The specialist's report, or equivalent documentation, contains restrictions, disclaimers, or limitations that affect the auditor's use of the report or work;
- The specialist's findings and conclusions are inconsistent with (1) the results of the work performed by the specialist, (2) other evidence obtained by the auditor, or (3) the auditor's understanding of the company and its environment;
- The specialist lacks a reasonable basis for data or significant assumptions the specialist used; or
- The methods used by the specialist were not appropriate.

Stay Connected to PCAOB



Contact Us for Standard-Related
Inquiries



Subscribe to the Project Updates



LinkedIn



@PCAOBNews