



Agenda Item 3

Investments/Specialists Project

Objective

To consider PCAOB Release Nos. 2018-006 and 2018-005 for potential amendments to GAAS, and to consider the location of requirements and guidance relating to the auditor's use of management's specialists within GAAS.

Background

Comment letters received on the exposure draft of SAS No. 143, *Auditing Accounting Estimates and Related Disclosures* (Estimates SAS) suggested that the ASB consider:

- the PCAOB's new requirements for the auditor's use of the work of management's specialists ([PCAOB Release No. 2018-006, Amendments to Auditing Standards for Auditor's Use of the Work of Specialists](#))
- the need for more specific guidance related to auditors' use of pricing information from third-party sources as audit evidence, taking into account [AS 2501: Appendix A—Special Topics, Identifying and Assessing Risks of Material Misstatement Related to the Fair Value of Financial Instruments](#)

In addition, as part of its consideration of issues relating to SAS No. 142, *Audit Evidence*, the ASB directed that material addressing management specialists currently located in AU-C section 500, *Audit Evidence*, be placed elsewhere in GAAS. SAS No. 142 contains amendments to place such content in AU-C section 501, *Audit Evidence—Specific Considerations for Selected Items*, pending further consideration.

After the project was discussed with the ASB at its January meeting, a project plan was approved by the AITF in February 2020 and the Specialists/Investments Task Force (Task Force) was formed. Task Force members are Patricia Bottomly, Chair, Joe Cascio, Susan DuRoss (Harvest Investments), Horace Emery, and Laura Schuetze (Grant Thornton).

I. Specialists

The Task Force reviewed comparisons of the PCAOB amendments to GAAS. The Task Force believes that the principles-based requirements in GAAS encompass all the actions required by

the PCAOB, and that the PCAOB requirements that are more detailed than the equivalent GAAS requirements are more prescriptive than appropriate for principle-based standards.

The Task Force identified material that it believes would enhance audit quality if added to GAAS as application guidance. This material is identified in Exhibits A-D of this paper, and the proposed amendments are shown in Agenda Item 3A and 3B.

The amendments made by PCAOB release no. 2018-006 are as follows:

AS Section and paragraphs amended	Nature of Amendment	Comments
AS 1210, <i>Using the Work of a Specialist</i> : All	Replaces content and retitled AS 1210 as <i>Using the Work of an Auditor-Engaged Specialist</i> .	Compared to AU-C 620. See Exhibit A .
AS 1201, <i>Supervision of the Audit Engagement</i> : .03, App. C (added)	Adds Appendix C, <i>Supervision of the Work of Auditor-Employed Specialists</i> , and related references to App C.	For all practical purposes, identical to AS 1210. See Exhibit A .
AS 1105, <i>Audit Evidence</i> : .08, .10, App. A (added)	Adds Appendix A, <i>Using the Work of a Company's Specialist as Audit Evidence</i> and related references to App A.	Compared to extant AU-C 500 Management Specialist Content. See Exhibit B .
AS 2101, <i>Audit Planning</i> : .06	Adds note about independence.	Not relevant to this project
AS 2110, <i>Identifying and Assessing Risks of Material Misstatement</i> : .28A (added)	Adds requirements for obtaining an understanding of the work and report(s) of Management's specialists	Compared to Audit Evidence SAS and AU-C section 315. See Exhibit C .
AS 2505, <i>Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments</i> : .08	Adds note about distinguishing between expertise in accounting or auditing and expertise in other fields	Compared to AU-C 620. See Exhibit D .

Questions for ASB Discussion:

1. Does the ASB agree with the Task Force conclusions about whether or not to propose amendments to GAAS regarding the comparison to GAAS of
 - a. AS 1210 and AS 1201 (Exhibit A)?
 - b. AS 1105 (Exhibit B)?
 - c. AS 2110 (Exhibit C)?
 - d. AS 2505 (Exhibit D)?
2. Does the ASB agree with the wording of the amendments proposed to AU-C section 620, *Using the Work of an Auditor's Specialist*? (Agenda item 3A)
3. Does the ASB agree with the wording of the amendments proposed to AU-C section 501, as amended by SAS No. 142? (Agenda item 3B)

II. Investments

Auditing Accounting Estimates, Including Fair Value Measurements

The Estimates Task Force considered PCAOB Release No. 2018-005 (AS 2501, *Auditing Accounting Estimates*, and the related amendments) when drafting the Estimates SAS and concluded that, with the exception of AS 2501 Appendix A, *Special Topics*, which addresses special topics related to fair value of financial instruments and the use of pricing services, the Estimates SAS appropriately addressed the content therein. This includes AS 1105 Appendix B, *Audit Evidence Regarding Valuation of Investments Based on Investee Financial Results*, which is materially consistent with AU-C section 501, paragraphs 4-5 and related application material. Note that the Estimates SAS amends AU-C section 501 by deleting other material related to investments.

The Task Force agreed to adapt AS 2501 Appendix A as an appendix to the Estimates SAS.

Guidance Related to Using Pricing Information from Multiple Pricing Services

Paragraph 8 of AS 2501 Appendix A states the following:

When pricing information is obtained from **multiple** pricing services, less information is needed about the particular methods and inputs used by the individual pricing services when the following conditions are met:

- a. There are recent trades of the financial instrument or of financial instruments substantially similar to the financial instruments being valued;
- b. The type of financial instrument being valued is routinely priced by **several** pricing services;
- c. Prices obtained are reasonably consistent across pricing services, taking into account the nature and characteristics of the financial instruments being valued, and market conditions; and

- d. The pricing information for the type of financial instrument is generally based on inputs that are observable.

Release 2018-005 states, on page A3-52, “Regarding the comment on usage of the terms "multiple" and "several" in Paragraph .A8, the term "multiple" refers to more than one pricing service. The term "several" is used to clarify that, under the condition in paragraph .A8, pricing information is to be obtained from more than two pricing services, all of which routinely price the instruments.

The Task Force discussed that although the Release states that pricing information *is to be obtained* from more than two pricing services, the words in the appendix “The type of financial instrument being valued *is routinely priced by several pricing services*” could be interpreted as not necessitating obtaining information from at least three services as long as there are three services from which to obtain the information. That is, as long as the other conditions are met, comparing pricing information from two services and finding them consistent would be sufficient to do less work around understanding the particular methods and inputs used by the individual pricing services.

The Task Force discussed, without coming to a consensus, whether the PCAOB standard, in this regard, is overly rigorous for audits of non-issuers.

The Task Force also considered changing “multiple” to “more than one” and “several” to “more than two” in paragraph 9 of agenda item 3C but decided to leave the wording as it is.

Questions for ASB Discussion:

4. Does the ASB agree with adapting AS 2501 Appendix A as an appendix to the Estimates SAS?
5. Does the ASB agree with the wording of proposed appendix to the Estimates SAS? (Agenda item 3C)

III. Placement of Content Relating to Management’s Specialists

The use of management’s specialists is currently located in AU-C 500. However, as part of its project to revise AU-C section 500, the ASB directed that the content related to management’s specialists should be removed from that AU-C section and placed elsewhere in GAAS. SAS No. 142, *Audit Evidence*, contains amendments to place such content in AU-C section 501.

Other options discussed by the ASB included creating a separate section for this content or placing the material in AU-C section 620, *Using the Work of an Auditor’s Specialist*. The Task Force noted that this is an issue of geography only.

- *Separate section option:* With only one requirement, having an entire AU-C section seems excessive, and an additional objective would have to be developed.
- *Combining with AU-C 620 option.* The PCAOB addresses Auditor’s Specialists separately from Management Specialists. Combining material moved from AU-C 500

into AU-C 620 would take substantial drafting. Assuming that the IAASB does not end up doing with its Audit Evidence project exactly what the ASB has done, the ASB will have to consider amendments to converge with revised ISA 500 when it is completed. If the IAASB decides to combine Management Specialists and Auditor's Specialists, the ASB could follow suit then.

Accordingly, the Task Force recommends that the content relating to Management Specialist's remain in AU-C section 501.

Questions for ASB Discussion:

6. Does the ASB agree with the Task Force's recommendation that the content related to the use of management's specialists remain in AU-C section 501?

IV. Effective Date

The Task Force recommends the proposed amendments become effective for periods ending on or after December 15, 2023, consistent with SAS No. 143.

Questions for ASB Discussion:

7. Does the ASB agree with the proposed effective date to coincide with the effective date of SAS No.143?

Materials

Exhibits in this Issues Paper

[Exhibit A](#): Comparison AS 1210 and AS 1201 Appendix C to AU-C 620

[Exhibit B](#): Comparison of AS 1105 Appendix A to AU-C 500

[Exhibit C](#): Comparison of AS 2110 amendment to GAAS

[Exhibit D](#): Comparison of AS 2505 amendment to AU-C 620

Agenda Item 3A: Proposed Amendments to AU-C section 620

Agenda Item 3B: Proposed Amendments to Management Specialist Content (Extant AU-C 500; AU-C section 501, as amended by SAS No. 142)

Agenda Item 3C: Proposed Appendix to AU-C 540 based on AS 2501 Appendix A

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Exhibit A, Comparison of AS 1210 and AS 1201 Appendix C to AU-C 620

AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
<p>Note: the PCAOB standards differentiate between an auditor-engaged specialist and an auditor-employed specialist; GAAS uses the term <i>auditor’s specialist</i> to refer to both. There are no substantive differences (and very few minor differences) between AS 1201 Appendix C and AS 1210. The notable difference relates to the auditor's assessment of the knowledge, skill, ability, and objectivity of an auditor-employed specialist (where the auditor may be able to leverage an audit firm's or network's quality control system to perform these assessments).</p>			
<p>Introduction</p>			
<p>.01 This standard establishes requirements regarding the use of a specialist engaged by the auditor's firm ("auditor-engaged specialist") to assist the auditor in obtaining or evaluating audit evidence with respect to a relevant assertion of a significant account or disclosure.</p>	<p>.C1 For engagements in which a specialist employed by the auditor's firm ("auditor employed specialist") assists the auditor in obtaining or evaluating audit evidence with respect to a relevant assertion of a significant account or disclosure, this appendix describes supervisory activities to be performed in conjunction with supervising the work of an auditor-employed specialist in an audit. The requirements in this appendix supplement the requirements in paragraphs .05–.06 of this standard.</p>	<p>.01 This section addresses the auditor’s responsibilities relating to the work of an individual or organization possessing expertise in a field other than accounting or auditing when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.</p>	<p>NA</p>
<p>Note: For purposes of this standard, a specialist is a person (or firm) possessing special skill or knowledge in a particular field other than accounting or auditing. Because income taxes and information technology are specialized areas of accounting and auditing, this standard does not apply to situations in which a person with specialized skill or</p>	<p>Note: For purposes of this standard, a specialist is a person possessing special skill or knowledge in a particular field other than accounting or auditing. Because income taxes and information technology are specialized areas of accounting and auditing, this appendix does not apply to situations in which a person with specialized skill or</p>	<p>.06 Auditor’s specialist. 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 specialist may be either an auditor’s internal specialist</p>	<p>Equivalent</p>

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<p>knowledge in income taxes or information technology participates in the audit. AS 1201, <i>Supervision of the Audit Engagement</i>, applies in those situations.</p>	<p>knowledge in income taxes or information technology participates in the audit. Paragraphs .03–.06 of this standard apply in those situations.</p>	<p>(who is a partner^{fn 4} or staff, including temporary staff, of the auditor’s firm or a network firm) or an auditor’s external specialist. .A2 In many cases, distinguishing between expertise in accounting or auditing and expertise in another field will be straightforward, even when this involves a specialized area of accounting or auditing.^{fn 5} For example, an individual with expertise in applying methods of accounting for deferred income tax can often be easily distinguished from a specialist in taxation law. The former is not a specialist for the purposes of this section because this constitutes accounting expertise; the latter is a specialist for the purposes of this section because this constitutes legal expertise. 02 This section does not address <i>a.</i> situations in which the engagement team includes a member</p>	

^{fn 4} *Partner* and *firm* should be read as referring to their governmental equivalents when relevant.

^{fn 5} Paragraphs .A18–.A19 of section 300 address the auditor’s determination of the extent of involvement of professionals possessing specialized skills.

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		or consults an individual or organization with expertise in a specialized area of accounting or auditing, which are addressed in section 220, <i>Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i> , and section 300, <i>Planning an Audit</i> , ^{fn 1 fn 2}	
Objective			
.02 The objective of the auditor is to determine whether the work of the auditor-engaged specialist is suitable for the auditor's purposes and supports the auditor's conclusion regarding the relevant assertion.	Addressed in AS 1201.02	.05 The objectives of the auditor are <i>a.</i> to determine whether to use the work of an auditor’s specialist and <i>b.</i> if using the work of an auditor’s specialist, to determine whether that work is adequate for the auditor’s purposes.	Equivalent

^{fn 1} Paragraphs .A10 and .A20–.A22 of section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*

^{fn 2} Paragraph .12 of section 300, *Planning an Audit*.

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<p>Assessing the Knowledge, Skill, Ability, and Objectivity of the Auditor Engaged Specialist</p> <p>.03 The engagement partner and, as applicable, other engagement team members performing supervisory activities¹ should assess the specialist's knowledge, skill, and ability 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:</p> <p style="margin-left: 40px;">¹ See AS 1201.04.</p>	<p>Addressed in AS 1201.06 (d)</p>	<p>.09 The auditor should evaluate whether the auditor’s specialist has the necessary competence, capabilities, and objectivity for the auditor’s purposes. In the case of an auditor’s external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the auditor’s specialist.</p>	<p>Equivalent</p>
<p>a. The professional certification, license, or professional accreditation of the specialist in the particular field;</p>		<p>A16.</p> <ul style="list-style-type: none"> • Knowledge of that specialist’s qualifications, membership in a professional body or industry association, license to practice, or other forms of external recognition 	
<p>b. The specialist's experience in the type of work under</p>		<p>A17</p> <ul style="list-style-type: none"> • The relevance of the competence of the auditor’s 	

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<p>consideration, including applicable areas of specialty within the specialist's field; and</p>		<p>specialist to the matter for which that specialist’s work will be used, including any areas of specialty within that specialist’s field. For example, a particular actuary may specialize in property and casualty insurance but have limited expertise regarding pension calculations.</p>	
<p>c. The reputation and standing of the specialist in the particular field.</p>		<p>A16</p> <ul style="list-style-type: none"> • Personal experience with previous work of that specialist • Discussions with that specialist • Discussions with other auditors or others who are familiar with that specialist’s work • Published papers or books written by that specialist 	
<p>Note: The auditor's assessment of the specialist's knowledge, skill, and ability affects the auditor's determination of: (1) whether the specialist possesses a sufficient level of knowledge, skill, and ability to perform the type of work under consideration (paragraph .04); and (2) the necessary extent of the</p>		<p>.08 The nature, timing, and extent of the auditor’s procedures with respect to the requirements in paragraphs .09–.13 will vary depending on the circumstances.</p> <p>.A35 The auditor’s evaluation of the competence, capabilities, and objectivity of the auditor’s specialist;</p>	<p>Equivalent</p>

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review and evaluation of the specialist’s work (paragraph .10).		the auditor’s familiarity with the field of expertise of the auditor’s specialist; and the nature of the work performed by the auditor’s specialist affect the nature, timing, and extent of audit procedures to evaluate the adequacy of the work of the auditor’s specialist for the auditor’s purposes.	
.04 The engagement partner and, as applicable, other engagement team members performing supervisory activities should not use the work of a specialist who does not have a sufficient level of knowledge, skill, and ability.		Not explicitly stated.	Not necessary to explicitly state
.05 The engagement partner and, as applicable, other engagement team members performing supervisory activities should assess whether the 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 entity that employs the specialist has a relationship to the company (e.g., through employment, financial, ownership, or other business relationships, contractual rights, family		.09 The auditor should evaluate whether the auditor’s specialist has the necessary competence, capabilities, and objectivity for the auditor’s purposes. In the case of an auditor’s external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the auditor’s specialist. (Ref: par. .A15–.A22)	Equivalent

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relationships, or otherwise), or other conflicts of interest relevant to the work to be performed.			
Note: The auditor's assessment of the specialist's objectivity affects the nature and extent of the auditor's procedures to evaluate the data, significant assumptions, and methods that the specialist is responsible for testing, evaluating, or developing. ²		.A22 If the auditor believes a relationship between the entity and the auditor’s specialist might impair the objectivity of the auditor’s specialist, the auditor may perform additional procedures with respect to some or all of the assumptions, methods, or findings of the auditor’s specialist to determine that the findings are reasonable or may engage another auditor’s specialist for that purpose.	Equivalent
<p>Note: 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 include, but are not limited to:</p> <ul style="list-style-type: none"> • Information obtained by the auditor from procedures performed pursuant to AS 2410, <i>Related Parties</i>; 		.A20 The evaluation of the significance of threats to objectivity and of whether a need exists for safeguards may depend upon the role of the auditor’s specialist and the significance of the specialist’s work in the context of the audit. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level (for example, if a proposed auditor’s specialist is an individual who has played a significant role in preparing the information that is being	Equivalent

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<ul style="list-style-type: none"> • Engagement contracts between the company 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 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. 		<p>audited [that is, if the proposed auditor’s specialist is a management’s specialist]).</p> <p>.A21 When evaluating the objectivity of an auditor’s external specialist, the auditor may</p> <p><i>a.</i> inquire of the entity and the auditor’s specialist about any known interests or relationships that the entity has with the auditor’s external specialist that may affect that specialist’s objectivity or</p> <p><i>b.</i> discuss with that specialist any applicable safeguards, including any professional requirements that apply to that specialist, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the auditor’s specialist include the following:</p> <ul style="list-style-type: none"> i. Financial interests ii. Business and personal relationships 	

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		<p>iii. Provision of other services by the specialist, including by the organization in the case of an external specialist that is an organization</p> <p>In some cases, the auditor may obtain a written representation from the auditor’s external specialist about any interests or relationships with the entity of which that specialist is aware.</p>	
<p>2Paragraph .06 of this standard requires the auditor to establish and document an understanding with the specialist, including with respect to the data, significant assumptions, and methods the specialist is responsible for testing, evaluating, or developing. Paragraph .11 of this standard addresses how the specialist's objectivity affects the nature and extent of the auditor's procedures.</p>		NA	
<p>Informing the Auditor-Engaged Specialist of the Work to be Performed</p>			
<p>.06 The engagement partner and, as applicable, other engagement team</p>	<p>.C3 The engagement partner and, as applicable, other engagement team</p>	<p>.11 The auditor should agree, in writing when appropriate, with the</p>	<p>Equivalent</p>

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<p>members performing supervisory activities should inform the specialist of the work to be performed, which includes establishing and documenting an understanding with the specialist regarding the following:</p>	<p>members performing supervisory activities should inform the specialist of the work to be performed, which includes establishing and documenting an understanding with the specialist regarding the following:</p>	<p>auditor’s specialist regarding (Ref: par. .A25–.A29)</p> <p>.A29 When no written agreement exists between the auditor and the auditor’s specialist, evidence of the agreement may be included in, for example</p> <ul style="list-style-type: none"> • planning memoranda or related working papers, such as the audit program. • the policies and procedures of the auditor’s firm. In the case of an auditor’s internal specialist, the established policies and procedures to which the auditor’s specialist is subject may include particular policies and procedures regarding the work of the auditor’s specialist. The extent of documentation in the auditor’s working papers depends on the nature of such policies and procedures. For example, no documentation may be required in the auditor’s working papers if the auditor’s firm has detailed protocols covering the 	

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		circumstances in which the work of such an auditor’s specialist is used.	
a. The responsibilities of the specialist, including the objectives of the work to be performed;	a. The responsibilities of the specialist, including the objectives of the work to be performed;	<i>11 a.</i> the nature, scope, and objectives of the work of the auditor’s specialist; (Ref: par. .A30)	Equivalent
b. The nature of the work that the specialist is to perform or assist in performing (for example, testing the company’s process used to develop an accounting estimate, including when a company’s specialist is involved in developing the estimate, or developing an independent expectation of an estimate);	b. The nature of the work that the specialist is to perform or assist in performing (for example, testing the company’s process used to develop an accounting estimate, including when a company’s specialist is involved in developing the estimate, or developing an independent expectation of an estimate);	<i>11 b.</i> the respective roles and responsibilities of the auditor and the auditor’s specialist; (Ref: par. .A31–.A32) A30 It often may be relevant when agreeing on the nature, scope, and objectives of the work of the auditor’s specialist to include discussion of any relevant technical performance	Proposed amendment adding guidance in b and c as incremental guidance to 620.A31.

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<p>c. The degree of responsibility of the specialist for:</p> <ul style="list-style-type: none"> (1) Testing data produced by the company, or evaluating the relevance and reliability of data from sources external to the company; (2) Evaluating the significant assumptions used by the company or the company's specialist, or developing his or her own assumptions; and (3) Evaluating the methods used by the company or the company's specialist, or using his or her own methods; and 	<p>c. The degree of responsibility of the specialist for:</p> <ul style="list-style-type: none"> (1) Testing data produced by the company, or evaluating the relevance and reliability of data from sources external to the company; (2) Evaluating the significant assumptions used by the company or the company's specialist, or developing his or her own assumptions; and (3) Evaluating the methods used by the company or the company's specialist, or using his or her own methods; and 	<p>standards or other professional or industry requirements that the auditor’s specialist will follow.</p> <p>.A31 Agreement on the respective roles and responsibilities of the auditor and the auditor’s specialist may include the following:</p> <ul style="list-style-type: none"> • Whether the auditor or the auditor’s specialist will perform detailed testing of source data • Consent for the auditor to discuss the findings or conclusions of the auditor’s specialist with the entity and others and to include details of the findings or conclusions of the auditor’s specialist in the basis for a modified opinion in the auditor’s report, if necessary (see paragraph .A44) • Any agreement to inform the auditor’s specialist of the auditor’s conclusions concerning the work of the auditor’s specialist <p>.12 The auditor should evaluate the adequacy of the work of the auditor’s</p>	

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		specialist for the auditor’s purposes, including b. If the work of the auditor’s specialist involves the use of significant assumptions and methods, i. obtaining an understanding of those assumptions and methods and ii. evaluating the relevance and reasonableness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the specialist, and in relation to the auditor’s other findings and conclusions. (Ref: par. .A38–.A40)	
d. The responsibility of the specialist to provide a report, or equivalent documentation, to the engagement partner and, as applicable, other engagement team members performing supervisory activities that describes the work performed, the results of the work, and the	d. The responsibility of the specialist to provide a report, or equivalent documentation, to the engagement partner and, as applicable, other engagement team members performing supervisory activities that describes the work performed, the results of the work, and the findings or conclusions reached by the specialist.	.11 c. the nature, timing, and extent of communication between the auditor and the auditor’s specialist, including the form of any report to be provided by the auditor’s specialist; and (Ref: par. .A33)	Equivalent

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AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
findings or conclusions reached by the specialist.			
.07 The engagement partner and, as applicable, other engagement team members performing supervisory activities should inform the 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.	.C4 Pursuant to paragraph .05a(3) of this standard, the engagement partner and, as applicable, other engagement team members performing supervisory activities should inform the 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, possible accounting and auditing issues, and the need to apply professional skepticism. ¹ 1 See AS 1015.07–.09.	No comparable content noted	Proposed amendment to application material to par. 11a. See 620.A30.
.08 The engagement partner and, as applicable, other engagement team members performing supervisory activities should implement measures to determine that there is a proper coordination of the work of the specialist with the work of relevant engagement team members to achieve	.C5 The engagement partner and, as applicable, other engagement team members performing supervisory activities should implement measures to determine that there is a proper coordination of the work of the specialist with the work of other relevant engagement team members to	A33 Effective two way communication facilitates the proper integration of the nature, timing, and extent of the procedures of the auditor’s specialist with other work on the audit and appropriate modification of the objectives of the auditor’s specialist during the course of the	No amendment necessary

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Exhibit A, Comparison of AS 1210 and AS 1201 Appendix C to AU-C 620

AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
<p>a proper evaluation of the evidence obtained in reaching a conclusion about the relevant assertion. This includes:</p>	<p>achieve a proper evaluation of the evidence obtained in reaching a conclusion about the relevant assertion. This includes:</p>	<p>audit. For example, when the work of the auditor’s specialist relates to the auditor’s conclusions regarding a significant risk, both a formal written report at the conclusion of the work of the auditor’s specialist and oral reports as the work progresses may be appropriate. Identification of specific partners or staff who will interact with the auditor’s specialist and procedures for communication between the auditor’s specialist and the entity assist timely and effective communication, particularly on larger engagements.</p>	
<p>a. If an auditor's specialist is used to develop (or assist in developing) an independent expectation of an accounting estimate, measures to comply with paragraphs .21–.26 of AS 2501, <i>Auditing Accounting Estimates, Including Fair Value Measurements</i>;</p> <p>b. If an auditor's specialist is used to test (or assist in testing) the company's process to develop</p>	<p>a. If an auditor's specialist is used to develop (or assist in developing) an independent expectation of an accounting estimate, measures to comply with paragraphs .21–.26 of AS 2501, <i>Auditing Accounting Estimates, Including Fair Value Measurements</i>;</p> <p>b. If an auditor's specialist is used to test (or assist in testing) the</p>	<p>.A39 Section 540, <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i>, discusses the assumptions and methods used by management in making accounting estimates, including the use, in some cases, of highly specialized, entity-developed models.^{fn 14} Although that discussion is written in the context of the auditor obtaining sufficient appropriate audit evidence regarding</p>	<p>No amendment necessary.</p>

^{fn 14} Paragraphs .08, .13, and .15 of section 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.

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AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
<p>an accounting estimate, measures to comply with AS 2501.09–.18; or</p> <p>c. If an auditor's specialist is used to evaluate the work of a company's specialist, measures to comply with Appendix A to AS 1105, <i>Audit Evidence</i>, and, for accounting estimates, AS 2501.19.</p>	<p>company's process to develop an accounting estimate, measures to comply with AS 2501.09–.18; or</p> <p>c. If an auditor's specialist is used to evaluate the work of a company's specialist, measures to comply with Appendix A to AS 1105, <i>Audit Evidence</i>, and, for accounting estimates, AS 2501.19.</p>	<p>management’s assumptions and methods, it also may assist the auditor when evaluating the assumptions and methods of an auditor’s specialist.</p>	
<p>Evaluating the Work of the Auditor-Engaged Specialist</p>			
<p>.09 The engagement partner and, as applicable, other engagement team members performing supervisory activities should review the report, or equivalent documentation, provided by the specialist pursuant to paragraph .06d above and evaluate whether the specialist's work provides sufficient appropriate evidence, specifically whether:</p> <p>a. The specialist's work and report, or equivalent documentation, are in accordance with the auditor's</p>	<p>.C6 The engagement partner and, as applicable, other engagement team members performing supervisory activities should review the report, or equivalent documentation, provided by the specialist pursuant to paragraph .C3d above and evaluate whether the specialist's work provides sufficient appropriate evidence, specifically whether:</p> <p>a. The specialist's work and report, or equivalent documentation, are in accordance with the</p>	<p>.12 The auditor should evaluate the adequacy of the work of the auditor’s specialist for the auditor’s purposes, including</p> <p>a. the relevance and reasonableness of the findings and conclusions of the auditor’s specialist and their consistency with other audit evidence. (Ref: par. .A35–.A37)</p> <p>.08 The nature, timing, and extent of the auditor’s procedures with respect</p>	<p>Equivalent</p> <p>Equivalent</p>

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AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
<p>understanding with the specialist; and</p> <p>b. 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.</p>	<p>auditor's understanding with the specialist; and</p> <p>b. 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.</p>	<p>to the requirements in paragraphs .09–.13 will vary depending on the circumstances. In determining the nature, timing, and extent of those procedures, the auditor should consider matters including (Ref: par. .A11);</p> <p><i>Evaluating the Adequacy of the Work of the Auditor’s Specialist</i> covered in paragraphs 12 and 13</p> <p>.A36 Specific procedures to evaluate the adequacy of the work of the auditor’s specialist for the auditor’s purposes may include the following:</p>	
<p>.10 The necessary extent of the review depends on: (1) the significance of the specialist's work to the auditor's conclusion regarding the relevant assertion, (2) the risk of material misstatement of the relevant assertion, and (3) the knowledge, skill, and ability of the specialist.</p>	<p>.C2 The necessary extent of supervision of an auditor-employed specialist depends on: (1) the significance of the specialist's work to the auditor's conclusion regarding the relevant assertion; (2) the risk of material misstatement of the relevant assertion; and (3) the knowledge, skill, and ability of the specialist.</p>	<ul style="list-style-type: none"> • Making inquiries of the auditor’s specialist • Reviewing the working papers and reports of the auditor’s specialist • Performing corroborative procedures, such as <ul style="list-style-type: none"> — observing the work of the auditor’s specialist; 	

Exhibit A, Comparison of AS 1210 and AS 1201 Appendix C to AU-C 620

AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
		<ul style="list-style-type: none"> — examining published data, such as statistical reports from reputable, authoritative sources; — confirming relevant matters with third parties; — performing detailed analytical procedures; and — reperforming calculations <ul style="list-style-type: none"> • Engaging in discussion with another specialist with relevant expertise when, for example, the findings or conclusions of the auditor’s specialist are not consistent with other audit evidence • Discussing the report of the auditor’s specialist with management <p>.A37 Relevant factors when evaluating the relevance and</p>	

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Exhibit A, Comparison of AS 1210 and AS 1201 Appendix C to AU-C 620

AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
		<p>reasonableness of the findings or conclusions of the auditor’s specialist, whether in a report or other form, may include whether they are</p> <ul style="list-style-type: none"> • presented in a manner that is consistent with any standards of the profession or industry of the auditor’s specialist; • 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, when relevant; and <p style="padding-left: 40px;">based on appropriate consideration of errors or deviations encountered by the auditor’s specialist.</p>	
.11 If the specialist or the entity that employs the specialist has a		.A22 If the auditor believes a relationship between the entity and the	Equivalent

Exhibit A, Comparison of AS 1210 and AS 1201 Appendix C to AU-C 620

AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
<p>relationship with the company that affects the specialist's objectivity, the auditor should perform additional procedures to evaluate the data, significant assumptions, and methods that the specialist is responsible for testing, evaluating, or developing, pursuant to the engagement team's understanding with the specialist (paragraph .06), or should engage another specialist. The necessary nature and extent of the additional procedures depend on the degree of objectivity of the specialist. As the degree of objectivity increases, the evidence needed from additional procedures decreases. If the specialist has a low degree of objectivity, the auditor should apply the procedures for evaluating the work of a company's specialist.³</p> <p>³ See AS 1105.A6–.A10.</p>		<p>auditor’s specialist might impair the objectivity of the auditor’s specialist, the auditor may perform additional procedures with respect to some or all of the assumptions, methods, or findings of the auditor’s specialist to determine that the findings are reasonable or may engage another auditor’s specialist for that purpose.</p>	
<p>.12 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 engagement</p>	<p>.C7 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 engagement</p>	<p>.13 If the auditor determines that the work of the auditor’s specialist is not</p>	<p>Equivalent</p>

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AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
<p>partner and, as applicable, other engagement team members performing supervisory activities should perform additional procedures, or request the specialist to perform additional procedures, as necessary to address the issue.</p>	<p>partner and, as applicable, other engagement team members performing supervisory activities should perform additional procedures, or request the specialist to perform additional procedures, as necessary to address the issue.</p>	<p>adequate for the auditor’s purposes, the auditor should (Ref: par. .A43)</p> <p><i>a.</i> agree with the auditor’s specialist on the nature and extent of further work to be performed by the auditor’s specialist or</p> <p><i>b.</i> perform additional audit procedures appropriate to the circumstances.</p>	
<p>Note: Examples of situations in which additional procedures ordinarily are necessary include: (1) the specialist's work was not performed in accordance with the auditor's instructions; (2) the specialist's report, or equivalent documentation, contains restrictions, disclaimers, or limitations that affect the auditor's use of the report or work; (3) the specialist's findings and conclusions are inconsistent with (i) the results of the work performed by the specialist, (ii) other evidence obtained by the auditor, or (iii) the auditor's understanding of the company and its environment; (4) the specialist lacks a reasonable basis for data or significant assumptions the specialist used; or (5)</p>	<p>Note: Examples of situations in which additional procedures ordinarily are necessary include: (1) the specialist's work was not performed in accordance with the auditor's instructions; (2) the specialist's report, or equivalent documentation, contains restrictions, disclaimers, or limitations that affect the auditor's use of the report or work; (3) the specialist's findings and conclusions are inconsistent with (i) the results of the work performed by the specialist, (ii) other evidence obtained by the auditor, or (iii) the auditor's understanding of the company and its environment; (4) the specialist lacks a reasonable basis for data or significant assumptions the specialist used; or (5)</p>		<p>Proposed amendment adding application material to 620.13; see proposed 620.A43</p>

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Exhibit A, Comparison of AS 1210 and AS 1201 Appendix C to AU-C 620

AS 1210: Using the Work of an Auditor-Engaged Specialist	AS 1201 Appendix C – Supervision of the Work of Auditor-Employed Specialists	AU-C 620, Using the Work of an Auditor’s Specialist	TF Decision Re: amendment to GAAS
the methods used by the specialist were not appropriate.	the methods used by the specialist were not appropriate.		

Exhibit B, AS 1105 Appendix A to Management Specialist Content in GAAS (extant AU-C 500; AU-C 501 as amended by SAS No. 142)

This table maps AS 1105 Appendix A and the amendment to AS 2110 to extant AU-C 500, paragraphs .08 and .A35-.A49. These paragraphs were not considered in drafting SAS No. 142, *Audit Evidence*, which amends these paragraphs by moving them to AU-C section 501 without any changes to the text

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
.A1 This appendix describes the auditor's responsibilities with respect to using the work of a specialist, employed or engaged by the company ("company's specialist"), as audit evidence to support a conclusion regarding a relevant assertion of a significant account or disclosure. The requirements in this appendix supplement the requirements of this standard.	Introduction	NA
Note: For purposes of this standard, a specialist is a person (or firm) possessing special skill or knowledge in a particular field other than accounting or auditing. This appendix does not apply when the auditor uses the work of a person with specialized skill or knowledge in income taxes ¹ or information technology as audit evidence. ²	Management's specialist. 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.	Sufficiently comparable
1 A note to AS 2505.08 describes the auditor's responsibility regarding the use of written advice or opinion of a company's tax advisor or a company's tax legal counsel as audit evidence.		Cross-reference not necessary to add to GAAS
2 This is consistent with the treatment of persons with specialized skill or knowledge in income taxes and information technology who are employed or engaged by auditors. See Appendix C of AS 1201,	NA	Cross-reference not necessary to add to GAAS

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<i>Supervision of the Audit Engagement</i> , and AS 1210, <i>Using the Work of an Auditor-Engaged Specialist</i> .		
Note: This appendix does not apply to information provided by a company's attorney concerning litigation, claims, or assessments that is used by the auditor pursuant to AS 2505, <i>Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments</i> . This appendix applies when an auditor uses the work of a company's attorney as audit evidence in other matters relating to legal expertise, such as when a legal interpretation of a contractual provision or a legal opinion regarding isolation of transferred financial assets is necessary to determine appropriate accounting or disclosure under the applicable financial reporting framework.	NA	
.A2 The requirements in AS 2110, <i>Identifying and Assessing Risks of Material Misstatement</i> , for obtaining an understanding of the company's information system relevant to financial reporting include obtaining an understanding of the work and report(s), or equivalent communication, of the company's specialist(s) and related company processes and controls. ³ 3 See AS 2110.28A.		Cross-reference not necessary to add to GAAS

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>Assessing the Knowledge, Skill, and Ability of the Company's Specialist and the Specialist's Relationship to the Company</p>		
<p>.A3 The auditor should obtain an understanding of the professional qualifications of the company's specialist in the particular field, and the entity that employs the specialist (if other than the company), and assess the level of knowledge, skill, and ability of the specialist in the particular field. Factors that are relevant to the assessment of the specialist's knowledge, skill, and ability include the following:</p> <ul style="list-style-type: none"> a. The professional certification, license, or professional accreditation of the specialist in the particular field; b. The specialist's experience in the type of work performed, including applicable areas of specialty within the specialist's field; and c. The reputation and standing of the specialist in the particular field. 	<p>.08 If information to be used as audit evidence has been prepared using the work of a management's specialist, the auditor should, to the extent necessary, taking into account the significance of that specialist's work for the auditor's purposes, (Ref: par. .A35-.A37)</p> <ul style="list-style-type: none"> • evaluate the competence, capabilities, and objectivity of that specialist; (Ref: par. .A38-.A44) <p>.A39 Information regarding the competence, capabilities, and objectivity of a management's specialist may come from a variety of sources, such as the following:</p> <ul style="list-style-type: none"> • Personal experience with previous work of that specialist • Discussions with that specialist 	<p>Sufficiently comparable</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
	<ul style="list-style-type: none"> • Discussions with others who are familiar with that specialist’s work • Knowledge of that specialist’s qualifications, membership in a professional body or industry association, license to practice, or other forms of external recognition • Published papers or books written by that specialist • An auditor’s specialist, if any, that assists the auditor in obtaining sufficient appropriate audit evidence with respect to information produced by the management’s specialist <p>.A40 Matters relevant to evaluating the competence, capabilities, and objectivity of a management’s specialist include whether that specialist’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.</p>	

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
	<p>.A41 Other matters that may be relevant include</p> <ul style="list-style-type: none"> • the relevance of the capabilities and competence of the management’s specialist to the matter for which that specialist’s work will be used, including any areas of specialty within that specialist’s field. For example, a particular actuary may specialize in property and casualty insurance but have limited expertise regarding pension calculations. • the competence of the management’s specialist with respect to relevant accounting requirements, for example, knowledge of assumptions and methods, including models, when 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 management’s specialist as the audit progresses. 	

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>.A4 The auditor should assess the relationship to the company of the specialist and the entity that employs the specialist (if other than the company)—specifically, whether circumstances exist that give the company the ability to significantly affect the specialist's judgments about the work performed, conclusions, or findings (e.g., through employment, financial, ownership, or other business relationships, contractual rights, family relationships, or otherwise).</p> <p>Note: Examples of potential sources of information that could be relevant to the auditor's assessment include, but are not limited to:</p> <ul style="list-style-type: none"> • Information obtained by the auditor from procedures performed pursuant to AS 2410, <i>Related Parties</i>; • Engagement contracts between the company 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 company; • Information provided by the employer of a specialist 	<p>.08 If information to be used as audit evidence has been prepared using the work of a management's specialist, the auditor should, to the extent necessary, taking into account the significance of that specialist's work for the auditor's purposes, (Ref: par. .A35-.A37)</p> <ul style="list-style-type: none"> • evaluate the competence, capabilities, and objectivity of that specialist; (Ref: par. .A38-.A44) <p>.A44 When evaluating the objectivity of a specialist engaged by the entity, it may be relevant to discuss with management and that specialist any interests and relationships that may create threats to the specialist's objectivity and any applicable safeguards, including any professional requirements that apply to the specialist, and to evaluate whether the safeguards are adequate. Interests and relationships creating threats may include the following:</p> <ul style="list-style-type: none"> • Financial interests 	<p>Sufficiently comparable</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>regarding relationships with the company; and Disclosures about relationships with the company in the specialist's report, or equivalent communication, pursuant to requirements promulgated by the specialist's profession or by legislation or regulation governing the specialist.</p>	<ul style="list-style-type: none"> • Business and personal relationships • Provision of other services 	
<p>.A5 The necessary evidence to assess the level of knowledge, skill, and ability of the company's specialist and the specialist's relationship to the company in paragraphs .A3–.A4 depends on (1) the significance of the specialist's work to the auditor's conclusion regarding the relevant assertion and (2) the risk of material misstatement of the relevant assertion. As the significance of the specialist's work and risk of material misstatement increases, the persuasiveness of the evidence the auditor should obtain for those assessments also increases.</p>	<p>.A37 The nature, timing, and extent of audit procedures with regard to the requirement in paragraph .08 may be affected by such matters as the following:</p> <ul style="list-style-type: none"> • The nature and complexity of the matter to which the management's specialist relates • The risks of material misstatement of the matter • The availability of alternative sources of audit evidence • The nature, scope, and objectives of the work of the management's specialist • Whether the management's specialist is employed by the entity or is a party engaged by it to provide relevant services 	<p>Sufficiently comparable. For last sentence of A5, see proposed amendment discussed below in reference to note to AS 1105 Appendix A par. A7 below.</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
	<ul style="list-style-type: none"> • The extent to which management can exercise control or influence over the work of the management’s specialist • Whether the management’s specialist is subject to technical performance standards or other professional or industry requirements 	
<p>Evaluating the Work of the Company's Specialist</p>		
<p>.A6 Evaluating the work of a company's specialist involves evaluating:</p> <ol style="list-style-type: none"> a. The data, significant assumptions, and methods used by the specialist; and b. The relevance and reliability of the specialist's work and its relationship to the relevant assertion. 	<p>.A49 Considerations when evaluating the appropriateness of the work of the management’s specialist as audit evidence for the relevant assertion may include</p> <ul style="list-style-type: none"> • the relevance and reasonableness of that specialist’s findings or conclusions, their consistency with other audit evidence, and whether they have been appropriately reflected in the financial statements; • if that specialist’s work involves use of significant assumptions 	<p>Sufficiently comparable</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
	<p>and methods, the relevance and reasonableness of those assumptions and methods; and</p> <ul style="list-style-type: none"> • if that specialist’s work involves significant use of source data, the relevance, completeness, and accuracy of that source data. 	
<p>Note: Paragraphs .16–.17 of AS 2101, <i>Audit Planning</i>, describe the auditor's responsibilities for determining whether specialized knowledge or skill is needed. This includes determining whether an auditor's specialist is needed to evaluate the work of a company's specialist.</p>	<p>.A45 An understanding of the work of the management’s specialist includes an understanding of the relevant field of expertise. An understanding of the relevant field of expertise may be obtained in conjunction with the auditor’s determination of whether the auditor has the expertise to evaluate the work of the management’s specialist, or whether the auditor needs an auditor’s specialist for this purpose.^{fn 13}</p>	<p>Sufficiently comparable</p>

^{fn 13} Paragraph .07 of section 620, *Using the Work of an Auditor’s Specialist*.

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>.A7 The necessary evidence from the auditor's evaluation of the specialist's work to support a conclusion regarding a relevant assertion depends on:</p> <ol style="list-style-type: none"> a. The significance of the specialist's work to the auditor's conclusion regarding the relevant assertion; b. The risk of material misstatement of the relevant assertion; c. The level of knowledge, skill, and ability of the specialist; and d. The ability of the company to significantly affect the specialist's judgments about the work performed, conclusions, or findings. 	<p>.A37 The nature, timing, and extent of audit procedures with regard to the requirement in paragraph .08 may be affected by such matters as the following:</p> <ul style="list-style-type: none"> • The nature and complexity of the matter to which the management's specialist relates • The risks of material misstatement of the matter • The availability of alternative sources of audit evidence • The nature, scope, and objectives of the work of the management's specialist • Whether the management's specialist 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 specialist • Whether the management's specialist is subject to technical performance standards or other professional or industry requirements 	<p>Sufficiently comparable</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>Note: When evaluating the specialist's work, the auditor should obtain more persuasive evidence as the significance of the specialist's work, the risk of material misstatement, or the ability of the company to affect the specialist's judgments increases, or as the level of knowledge, skill, and ability possessed by the specialist in the particular field decreases.</p>	<p>Not specified in AU-C 500</p>	<p>Proposed amendment to application material; see 500.A37</p>
<p>.A8 The auditor should:</p> <p>a. Test the accuracy and completeness of company-produced data used by the specialist,⁴ and evaluate the relevance and reliability⁵ of data from sources external to the company that are used by the specialist;</p>	<p>SAS 142 amendment to AU-C 540</p> <p>.A70 In accordance with AU-C section 500, <i>Audit Evidence</i>, the auditor is required to <i>evaluate information to be used as audit evidence by taking into account, among other things, the relevance and reliability of the information, including its source. The auditor's evaluation of such information to be used as audit evidence is required to include evaluating whether the information is sufficiently precise and detailed for the auditor's purposes and obtaining audit evidence about the accuracy and completeness of the information, as necessary.</i></p>	<p>Sufficiently comparable</p>
<p>b. Evaluate whether the significant assumptions⁶ used by the specialist are reasonable as follows:</p>	<p>.A49 Considerations when evaluating the appropriateness of the work of the</p>	<p>Sufficiently comparable</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>(1) For significant assumptions developed by the specialist, the auditor should take into account the consistency of those assumptions with relevant information.</p>	<p>management’s specialist as audit evidence for the relevant assertion may include</p> <ul style="list-style-type: none"> • the relevance and reasonableness of that specialist’s findings or conclusions, their consistency with other audit evidence, and whether they have been appropriately reflected in the financial statements; • if that specialist’s work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods; and • if that specialist’s work involves significant use of source data, the relevance, completeness, and accuracy of that source data. 	
<p>Note: Examples of information that, if relevant, should be taken into account include: (1) assumptions generally accepted within the specialist's field; (2) supporting information provided by the specialist; (3) industry, regulatory, and other external factors, including economic conditions; (4) the company's objectives, strategies, and related business risks; (5) existing market information; (6) historical or recent</p>	<p>AU-C 500 does not have this level of specificity</p>	<p>Add as AM to par. 8c of AU-C 500, add to or after existing A49. See proposed amendment (par. A50)</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
experience, along with changes in conditions and events affecting the company; and (7) significant assumptions used in other estimates tested in the company's financial statements.		
(2) For significant assumptions provided by company management and used by the specialist, the auditor should look to the requirements set forth in paragraphs .16–.18 of AS 2501, <i>Auditing Accounting Estimates, Including Fair Value Measurements</i> .	Reference to other standard	
(3) If a significant assumption is based on the company's intent and ability to carry out a particular course of action, the auditor should look to the requirements set forth in AS 2501.17; and	Reference to other standard	
b. Evaluate whether the methods used by the specialist are appropriate under the circumstances, taking into account the requirements of the applicable financial reporting framework.	See A46 & A49	Sufficiently comparable
Note: Evaluating whether the methods are appropriate includes evaluating whether the data (paragraph .A8a) and significant assumptions (paragraph .A8b) are	.A46	Amended to refer to applicable financial reporting framework

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
appropriately applied under the applicable financial reporting framework.	<p>Aspects of the field of the management’s specialist relevant to the auditor’s understanding may include</p> <ul style="list-style-type: none"> • what assumptions and methods are used by the management’s specialist and whether they are generally accepted within that specialist’s field and appropriate for financial reporting purposes. 	
<p>⁴ See paragraph .10 of this standard.</p>		
<p>⁵ See paragraphs .07 and .08 of this standard.</p>		
<p>⁶ See AS 2501.15 for procedures to perform when identifying significant assumptions. For purposes of identifying significant assumptions, the company's assumptions include assumptions developed by a company's specialist.</p>	Reference to other standard	
<p>.A9 The auditor should evaluate the relevance and reliability of the specialist's work and whether the specialist's findings support or contradict the relevant assertion. Factors that affect the relevance and reliability of the specialist's work include:</p> <p>a. The results of the auditor's procedures over data, significant assumptions, and methods performed pursuant to paragraph .A8;</p>	<p>.08 If information to be used as audit evidence has been prepared using the work of a management’s specialist, the auditor should, to the extent necessary, taking into account the significance of that specialist’s work for the auditor’s purposes, (Ref: par. .A35–.A37)</p>	<p>Include guidance about factors as AM in specialists</p> <p>(AM on <i>Evaluating the Appropriateness of the Work of the Management’s Specialist (Ref: par. .08c)</i>)</p> <p>See amendment par. A51</p>

Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
<p>b. The nature of any restrictions, disclaimers, or limitations in the specialist's report or equivalent communication; and</p> <p>c. The consistency of the specialist's work with other evidence obtained by the auditor and the auditor's understanding of the company and its environment.</p>	<p>c. evaluate the appropriateness of that specialist's work as audit evidence for the relevant assertion. (Ref: par. .A49)</p> <p>Guidance not in AU-C 500</p>	
<p>.A10 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, as necessary, to address the matter.</p>	<p>Not specified in AU-C 500</p>	
<p>Note: Examples of situations in which additional procedures ordinarily are necessary include:</p> <p>(1) the specialist's findings and conclusions are inconsistent with (i) other information, if any, in the specialist's report, or equivalent communication, (ii) other evidence obtained by the auditor, or (iii) the auditor's understanding of the company and its environment;</p> <p>(2) the specialist's report, or equivalent communication, contains restrictions, disclaimers, or limitations regarding the auditor's use of the report or communication;</p> <p>(3) exceptions were identified in performing the procedures described in paragraph .A8 above related to data, significant assumptions, or methods;</p>	<p>Not in AU-C 500</p>	<p>Helpful AM See proposed amendment par. A52.</p>

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Exhibit B, Mapping of AS 1105 Appendix A to AU-C 500 Management Specialist Content

AS 1105, Appendix A	Extant AU-C sec. 500 unless otherwise noted	Task Force Comments
(4) the auditor has doubt about the specialist's knowledge, skill, and ability, or about the company's effect on the specialist's judgments; or (5) the specialist has a conflict of interest relevant to the specialist's work.		

Exhibit C

Exhibit C, Comparison of AS 2110 to GAAS

AS 2110, <i>Assessing the Risk of Material Misstatement</i>	Comparison to GAAS	Comment
<p>.28A When a company uses the work of a company's specialist, the auditor should obtain an understanding of the work and report(s), or equivalent communication, of the company's specialist(s) and the related company processes, including:</p> <ul style="list-style-type: none"> a. The nature and purpose of the specialist's work; b. Whether the specialist's work is based on data produced by the company, data obtained from sources external to the company, or both; and c. The company's processes and controls^{16A} for using the work of specialists. <p>^{16A} See paragraph .34 of this standard.</p>	<p>(a) is addressed in AU-C 500. A37 The nature, timing, and extent of audit procedures with regard to the requirement in paragraph .08 may be affected by such matters as the following:</p> <ul style="list-style-type: none"> • The nature, scope, and objectives of the work of the management's specialist <p>(b) is addressed in AU-C 501, as amended, par. A80 (extant AU-C 500, par.A46) , 4th bullet (see agenda item 3B):</p> <ul style="list-style-type: none"> • "The nature of internal or external data or information the management's specialist uses <p>and par. A83, 3rd bullet</p> <p>(c) is address in AU-C 501, as amended, par. A71 (extant AU-C 500, par. A37), 8th bullet (see agenda item 3B):</p> <ul style="list-style-type: none"> • The nature and extent of any controls within the entity over the work of the management's specialist 	<p>No amendments necessary</p>

Exhibit D, Mapping of AS 2505 amendment to AU-C 620

Exhibit D, Comparison of AS 2505 amendment to AU-C 620

Note: no amendments to GAAS are proposed for this PCAOB amendment.

AS 2505, <i>Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments</i>	AU-C 620	
<p>Note: The opinion of legal counsel on specific tax issues that he or she is asked to address and to which he or she has devoted substantive attention, as contemplated by this standard, is sometimes necessary evidence to support the auditor's conclusions on significant income tax accounts and disclosures. However, the audit of income tax accounts and disclosures requires a combination of tax expertise and knowledge about the client's business that is accumulated during all aspects of an audit. Therefore, it is not appropriate for the auditor to rely solely on such legal opinion with respect to those tax issues without performing his or her own evaluation of matters related to the significant tax accounts and disclosures in the financial statements, taking into account the relevant tax and accounting requirements, his or her understanding of the company and its environment, and other relevant evidence obtained during the audit.^{5A}</p> <p>Appendix A to AS 1105, <i>Audit Evidence</i>, applies when an auditor uses the work of a company's attorney as audit evidence in matters relating to legal expertise other than litigation, claims, and assessments (which are covered under this standard) and income taxes. For example, Appendix A to AS 1105 applies when a legal interpretation of a contractual provision or a legal opinion regarding isolation of transferred financial assets is necessary to determine appropriate accounting or disclosure under the applicable financial reporting framework.</p> <p>^{5A} Similarly, the written advice of a company's tax advisor on material matters affecting the tax accrual is sometimes necessary evidence to support the auditor's conclusions on the significant accounts and disclosures related to income taxes. As with legal opinions on tax matters, the auditor cannot rely solely on that written advice from tax advisors without performing his or her own evaluation of matters related to the significant tax accounts and disclosures in the financial statements.</p>	<p>620.A2 In many cases, distinguishing between expertise in accounting or auditing and expertise in another field will be straightforward, even when this involves a specialized area of accounting or auditing.^{fn 5} For example, an individual with expertise in applying methods of accounting for deferred income tax can often be easily distinguished from a specialist in taxation law. The former is not a specialist for the purposes of this section because this constitutes accounting expertise; the latter is a specialist for the purposes of this section because this constitutes legal expertise.</p>	Equivalent

^{fn 5} Paragraphs .A18–.A19 of section 300 address the auditor's determination of the extent of involvement of professionals possessing specialized skills.