

## Agenda Item 1



### Investments/Specialists Project

#### Objective

To review proposed changes and vote to issue as a final standard proposed SAS *Amendments to AU-C Sections 501, 540 and 620*.

#### Background

Proposed SAS *Amendments to AU-C Sections 501, 540 and 620* comprises proposed amendments to generally accepted auditing standards (GAAS), based on consideration of PCAOB Release Nos. 2018-006 and 2018-005 and consideration of the location of requirements and guidance relating to the auditor's use of management's specialists within GAAS. The proposed SAS was issued for exposure on November 4, 2020 and the comment period ended on February 4, 2021.

#### Task Force

The Specialists/Investments Task Force (Task Force) members are Patricia Bottomly, Chair, Joe Cascio, Susan DuRoss (Harvest Investments), Horace Emery, and Laura Schuetze (Grant Thornton).

#### Summary of Comments Received

19 comment letters were received from the following respondents:

01 TN State Audit	Tennessee State Auditor
02 NJSCPAs	NJ Society of CPAs
03 TIC	PCPS Technical Issues Committee
04 FMSB	Financial Management Standards Board of the Association of Government Accountants (AGA)
05 CLA	CLA
06 Jose Chacon	Hunter College Advanced Auditing Class
07 MI Auditor General	Michigan Auditor General
08 FICPA	Florida Institute of CPAs
09 Deloitte	

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10 GT	Grant Thornton
11 CalCPA	California Society of CPAs
12 ALGA	Association of Local Government Auditors
13 BDO	
14 RSM US	
15 NSAA	National State Auditors Association
16 EY	
17 KPMG	
18 PwC	
19 VA	Virginia Auditor of Public Accounts

All respondents expressed support for the project.

Two questions were posed in the ED.

*Question 1: Do you agree that the proposed amendments to incorporate appendix A, “Special Topics,” of AS 2501 as guidance to AU-C section 540 are appropriate? If not, why not?*

All the respondents agreed that the proposed amendments are appropriate. However, three respondents (16%) expressed concerns about the interplay between AU-C section 500 and AU-C section 540, with one (EY) recommending that the proposed amendments be more appropriately incorporated into AU-C section 500, and another (KPMG) suggesting that additional references be added within AU-C section 500 and AU-C section 540 to the additional application material in the proposed Appendix C to AU-C section 540.

*Question 2: Do you believe the amendments to incorporate appendix A, “Special Topics,” of AS 2501 into AU-C section 540 should include requirements? If so, please specify which paragraphs of appendix A, “Special Topics,” of AS 2501 should be included as requirements.*

Sixteen respondents (84%) believed that the amendments are appropriately designated as application material. Three respondents (NJSCPA, Jose Chabon, ALGA) (16%) believed that the amendments to incorporate appendix A of AS 2501 should include requirements because, as one respondent stated, “they are equally applicable to non-filers”.

*Specific comments*

Agenda item 1C shows comments received with suggestions for specific revisions, and the Task Force response to each suggestion. Many suggestions are editorial in nature. Substantive revisions proposed in response to comments are as follows:

AU-C 501

- Paragraph A71, last bullet: to correct formatting and clarify the wording
- Paragraphs A80, A83-A84, A86: to reorganize the guidance, add back deleted guidance, and eliminate some duplication

AU-C 540

- Par. A126: added definition of pricing service
- Par. A107, A126, A154: edits to clarify relationship between sections 500 and 540, and cross-references to requirements with section 540 and between section 540 and other sections.
- Par. A128, deleted subparagraph *d*, as Appendix C paragraphs 12-13 address the same concepts.

AU-C 620

- Par. A16 and A21: moved proposed amendment from A16 to A21
- Par. A30: added reference to professional skepticism

**Materials**

**1A:** Proposed SAS, marked for proposed revisions

**1B:** Table of Comments: General, Questions 1 & 2

**1C:** Table of Comments: Specific Paragraphs