

July 31, 2015

Mr. James R. Doty, Chairman  
US Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006 USA

By email: [comments@pcaobus.org](mailto:comments@pcaobus.org)

Dear Chairman Doty,

**RE: Staff Consultation Paper 2015-1, *The Auditor's Use of the Work of Specialists***

We follow with interest the PCAOB's initiative to explore ways to strengthen and modernize the PCAOB's interim standards addressing the auditor's use of the work of specialists. As indicated in the Staff Consultation Paper (the Paper), the IAASB's standards that address this topic are ISA 620, *Using the Work of an Auditor's Expert*, and ISA 500, *Audit Evidence*.

As you may know, the IAASB has commenced work this year on the topic of [Special Considerations in the Audit of Financial Institutions](#). As part of its work, the IAASB will consider issues that have been highlighted relating to auditing accounting estimates, including fair value measurements, and whether such issues are more broadly applicable to entities other than financial institutions. Although considerations are only at an early stage, it is anticipated that the topic of the auditor's use of the work of specialists (referred to as "experts" in the ISAs) will feature prominently as part of the IAASB's deliberations, including as it relates to specialists engaged or employed by companies and auditor's specialists. For example, discussion may be in relation to the implications of IFRS 9, *Financial Instruments*, and the need for expertise to evaluate credit risk, the use of third-party pricing sources, or, more generally, on related matters when auditing fair value accounting estimates. Similarly, the IAASB's new work on [Quality Control](#) will include deliberation on the topics of direction, supervision, performance and review, including the appropriate involvement of individuals with specialized skills or knowledge, auditor's specialists, and the resultant implications on audit quality.

Accordingly, even though the IAASB does not have in its [Work Plan for 2015–2016](#) a separate project to revise ISA 620 or ISA 500, we believe there may be opportunities for the IAASB to benefit from the PCAOB's work on this important project. Similarly, we believe that the PCAOB may also benefit from the IAASB's experiences. We believe that interactions between the IAASB and PCAOB at both Board and staff levels on Auditor Reporting have been mutually beneficial; we would be pleased to continue similar constructive dialogue with the PCAOB Board Members and Staff to share relevant perspectives on common issues.

The PCAOB Staff Consultation Paper 2015-1 (the Paper) includes discussion on a number of areas the IAASB also had to consider when it revised and redrafted ISAs 620 and 500. We believe therefore that the PCAOB Staff may find the information contained in the IAASB Staff-prepared [Basis for Conclusions](#)

useful in understanding why the IAASB took particular decisions in response to feedback from its public consultations on ISA 620, including, among others, in relation to:

- The importance of flexibility and “scalability”, in light of the wide range of circumstances in which specialists are used and recognizing that the nature, timing and extent of audit procedures are expected to vary depending on such matters as the nature of, and risks of material misstatement in, the matters to which the specialist’s work relates, and the significance of the specialist’s work in the context of the audit.
- The implications of having auditor’s engaged specialists (referred to as “auditor’s external experts” in the ISAs) subject to all the quality control policies and procedures the firm applies to its partners and staff and all the independence requirements of the IESBA’s<sup>1</sup> *Code of Ethics for Professional Accountants*.
- Other definitional matters.

If you have any questions regarding the above, please do not hesitate to contact me at [KathleenHealy@iaasb.org](mailto:KathleenHealy@iaasb.org) or (212) 471-8713.

Yours sincerely,



Kathleen K. Healy  
Technical Director, IAASB

CC: Martin F. Baumann, Chief Auditor and Director of Professional Standards, PCAOB  
Prof. Arnold Schilder, IAASB Chairman  
James Gunn, Managing Director, Professional Standards

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<sup>1</sup> International Ethics Standards Board for Accountants