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United States Government Accountability Office
Washington, DC 20548

April 30, 2010

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Audit and Attest Standards
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Subject: AICPA Auditing Standards Board (ASB) December 2009, Exposure Draft for a proposed Statement on Auditing Standards (SAS) *Using the Work of an Auditor's Specialist*.

This letter provides the U.S. Government Accountability Office's (GAO) comments on the ASB's proposed standards on *Using the Work of an Auditor's Specialist*. GAO supports the proposed SAS and believes that it will clarify the auditor's responsibilities when using the work of an individual or organization possessing expertise in a field other than accounting or auditing when the work is used to assist the auditor in obtaining sufficient appropriate audit evidence.

To converge with the International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*, the ASB has proposed reorganizing the extant standard on *Using the Work of a Specialist* by moving the location of provisions on:

- using the work of management specialists, and
- using the work of internal specialists possessing expertise in fields other than accounting and auditing when their work is used to assist in obtaining sufficient appropriate audit evidence.

We agree with this reorganization. Moving provisions on management specialists from *Using the Work of a Specialist* to the proposed SAS on *Audit Evidence* (Redrafted) will logically codify this evidence with other information prepared by management. Moving the above mentioned provisions on internal specialists from AU Section 311, *Planning and Supervision*, to the proposed SAS on *Using the Work of a Specialist*, will clarify that auditor responsibilities are the same regardless of whether the auditor is using a specialist employed by the audit organization or external to the audit organization.

The Board is also seeking comments on the effect of applying the clarity drafting conventions to the proposed standard and converging it with the International Standards on Auditing (ISA) 620. We provide the requested comments in this letter. Editorial changes and other comments are included in the attachment to this letter.

GAO's Comments to Specific Questions

(1) Are the auditor's objectives appropriate?

Yes, we believe that the auditor's objectives are appropriate.

(2) Are the revisions made to converge the existing standards with ISA 620 appropriate?

Yes, we believe that the revisions from the existing standard to converge with the ISA 620 and the conforming amendment to the proposed SAS on *Audit Evidence* (Redrafted) are appropriate.

(3) Are the differences between the proposed SAS and ISA 620 identified in the exhibit, and other language changes, appropriate?

Yes, we agree that the differences between the proposed SAS and ISA 620, and other language changes are appropriate. However, the exposure draft did not include an exhibit that analyzed the differences between the proposed SAS and ISA 620, although such an exhibit is included in other recent ASB exposure drafts and is referred to in question 3 above. An exhibit identifying and explaining the differences would be helpful to users in interpreting and applying the standards. Accordingly, we recommend including such an exhibit with the final SAS.

(4) Have considerations for audits of smaller, less complex entities and governmental entities been dealt with appropriately?

The proposed SAS does not include any special considerations for audits of smaller, less complex entities or for governmental entities. We are not aware of any unique issues in audits of governmental entities concerning using the work of specialists. Therefore, we believe no special considerations are warranted for the proposed SAS.

We thank you for considering our comments on these important issues.

Sincerely yours,



James Dalkin
Director
Financial Management and Assurance

Attachment

GAO Suggested Editorial and Other Changes to Proposed SAS:
“Using the Work of an Auditor’s Specialist”

Suggested Editorial and Other Changes	Reasoning for Suggested Changes
<p>Requirements Nature, Timing, and Extent of Audit Procedures</p> <p>8. The nature, timing, and extent of the auditor’s procedures with respect to the requirements in paragraphs 9–13 of this proposed SAS will vary depending on the circumstances. In determining the nature, timing, and extent of those procedures, the auditor should consider matters <u>relevant to the determination of the adequacy of the specialist’s work</u> including (Ref: par. A11)</p> <ul style="list-style-type: none"> a. the nature of the matter to which that specialist’s work relates; b. the risks of material misstatement in the matter to which that specialist’s work relates; c. the significance of that specialist’s work in the context of the audit; d. the auditor’s knowledge of, and experience with, previous work performed by that specialist; and e. whether that specialist is subject to the auditor’s firm’s quality control policies and procedures. (Ref: par. A12–A14) 	<p>Proposed change clarifies what matters the auditor is required to consider in determining the nature, timing, and extent of audit procedures.</p>
<p>Agreement With the Auditor’s Specialist</p> <p>11. The auditor should agree, in writing when appropriate, with the auditor’s specialist regarding (Ref: par. A25–A28)</p> <ul style="list-style-type: none"> a. the nature, scope, and objectives of that specialist’s work; (Ref: par. A29) b. the respective roles and responsibilities of the auditor and that specialist; (Ref: par. A30–A31) c. the nature, timing, and extent of communication between the auditor and that specialist, including the form of any report to be provided by that specialist; and (Ref: par. A32) d. the need for the auditor’s specialist to observe confidentiality requirements. (Ref: par. A33) 	<p>Proposed change to remove the second comma in the first sentence of paragraph 11 will help clarify that the term “when appropriate” modifies “when the auditor should agree in writing” rather than “when the auditor should agree.”</p>