



National Association of State Boards of Accountancy

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August 30, 2017

The Office of the Secretary
The Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 044 - Proposed Amendments to Auditing Standards for Auditor's Use of Specialists

Dear Members and Staff of the Public Company Accounting Oversight Board:

We appreciate the opportunity to offer our comments on the PCAOB Rulemaking Docket Matter No. 044 - Proposed Amendments to Auditing Standards for Auditor's Use of Specialists (the Proposal).

The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories.

We understand that the Proposal is aiming to strengthen the requirements for (1) evaluating the work of a specialist employed or engaged by the company and (2) applying a risk-based approach to supervising and evaluating the work of a specialist employed or engaged by the auditor. We would like to commend the PCAOB on recognizing the need for amending the auditing standards for the auditor's use of specialists. The increasing complexity of the market environment and accounting transactions create a growing need for the use of various specialists in audits. Consequently, we would like to express our overall support for the PCAOB's developing the Proposal.

We offer the following comments on the Proposal. Notwithstanding the above, we wish to emphasize the following matters:

OVERALL COMMENTS

- The distinction between auditor engaged and auditor employed specialist is not clear. The definition of an auditor employed specialist does not appear to consider situations where the specialist may be a part of a network firm wherein the specialist is subject to the same quality control and independence requirements within their network firm.
- The proposed amendments do not include consideration of management's controls related to company specialists. We believe management controls over selection and supervision of a company specialist as well as controls over inputs provided to the specialist would be

important for the auditor to consider. Further application guidance should be provided regarding consideration of these types of controls.

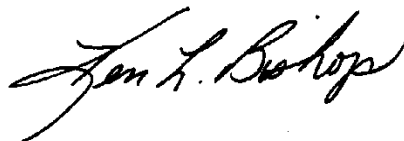
- It would be helpful to provide application guidance on procedures to be performed by auditors to evaluate specialists used (e.g. review of qualifications, methods, etc.). We do not believe inquiry alone is likely sufficient to evaluate the specialist. We would expect that the level of procedures to be performed would increase as the risk of material misstatement of the related account balance increases. Application guidance should include examples of other procedures the auditor may consider as well as type of evidence that should be obtained to support their evaluation.
- Paragraph .04 of the Proposal states that engagement partner and other engagement team members performing supervisory activities should assess whether the specialist and the entity that employs the specialist have the necessary objectivity to exercise impartial judgment on all issues encompassed by the specialist's work related to the audit. We recommend providing application guidance on how the auditor should evaluate the objectivity in these types of situations.
- Paragraph .11 of the Proposal imposes additional requirements on auditors in situations where the specialist's findings or conclusions appear to contradict the relevant assertion or the specialist's work does not provide sufficient appropriate evidence. The wording does not reconcile to the example provided. Specifically, the example wording implies that the reason for the contradiction relates to errors in the specialist's work. We recommend it also address the possibility the contradiction is attributable to a financial statement misstatement by the Company.

Again, we appreciate the opportunity to comment on the Proposal.

Sincerely,



Telford A. Lodden, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO