

# Auditing Accounting Estimates and Fair Value Measurements

Tom Omberg

Managing Partner, Professional Practice,  
Deloitte & Touche LLP

October 2, 2014



# Auditor Perspective

## Observations on Auditing Management Estimates

- Inspection comments over recent years have indicated challenges in auditing management estimates, particularly fair value estimates
- Some large auditing firms have responded to fair value issues with:
  - Centralized valuation function and vendor due diligence procedures
    - Connection of centralized function to audit engagements
  - Use of valuation, credit, and other subject matter specialists to assist auditors
- Challenges on estimates and fair value remain, such as:
  - Use of third parties
  - Use of data and models
  - Evolving and/or complex financial instruments
  - New accounting standards
  - Resource constraints

# Auditor Perspective

## Observations on Auditing Management Estimates

- Distinction between “specialist” and “information or data provider”
- Audit expectations when management uses a specialist or information provider
  - Testing information provided by management’s specialist “as if” it were produced by the company
- Additional clarity regarding:
  - Interaction between AU 336 and any changes to auditing estimates standards
  - Management’s review controls (e.g., review of third-party work product)
  - Consideration of fraud and linkage to AU 316
  - Management’s valuation of illiquid assets and complex models/inputs
- Flexibility of any new standard to contemplate the continuing evolution of new accounting standards and complex areas requiring management estimates