

August 30, 2017

Office of the Secretary
PCAOB
1666 K Street, NW
Washington, DC 20006-2803
USA

submitted via email to comments@pcaobus.org

Institut der Wirtschaftsprüfer
in Deutschland e. V.

Wirtschaftsprüferhaus
Tersteegenstraße 14
40474 Düsseldorf
Postfach 32 05 80
40420 Düsseldorf

TELEFONZENTRALE:
+49 (0) 211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:
+49 (0) 211 / 4 54 10 97

INTERNET:
www.idw.de

E-MAIL:
info@idw.de

BANKVERBINDUNG:
Deutsche Bank AG Düsseldorf
IBAN: DE53 3007 0010 0748 0213 00
BIC: DEUTDE33XXX
UST-ID Nummer: DE119353203

**PCAOB Release No. 2017-003, June 1, 2017, PCAOB Rulemaking
Docket Matter No. 044: Proposed Amendments To Auditing Standards For
Auditor's Use Of The Work Of Specialists**

Dear Sirs,

The IDW appreciates the opportunity to comment on the above mentioned Release, hereinafter referred to as "the Release". We also commented on the Staff Consultation Paper: The Auditor's Use of the Work of Specialists in a letter dated July 31, 2015. In commenting below on specific aspects of the current proposal we refer to that letter as "our previous letter".

In this letter, we express general support for the PCAOB's initiative, and then comment on those aspects of the Release with which we have concerns or upon which we hold firm views. We have chosen not to respond to individual questions posed throughout the Release.

General Support

As stated in our previous letter, we agree that the revision of the PCAOB's interim auditing standards is needed in this area. For the reasons explained in our previous letter, we also support the proposals to consider separately a company's specialist, not to integrate an auditor's engaged specialist into the engagement team and are pleased to note the Board's proposed stance in this context.

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB;
Dr. Daniela Kelm, RA LL.M.

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Potentially Impractical or Excessive Requirements

In general we are concerned that PCAOB standards are more rules based than ISAs and have commented on this in the past in a number of comment letters we have submitted to the Board. In the following, we discuss examples in this context.

- Specialist's Reputation and Standing: We understand the intention behind the proposed requirement to assess both a company's and auditor-engaged specialist skills by obtaining an appropriate understanding of certain matters. We also appreciate that the proposed wording of paragraphs AS 1105.B3c. and AS 1210.03c.: "The reputation and standing of the specialist in the particular field" is more practicable than the wording originally discussed in the staff consultation paper, which had also included a reference to the views of peers in this context. Nevertheless, we are concerned that this, as a requirement in every case, could still be excessive, especially when the auditor is satisfied as to professional certification, license or accreditation as well as experience of an auditor-engaged specialist in the particular field. Obtaining reliable information for such an understanding may also be impracticable (i.e., questions arise such as from whom?, can e.g., internet rating be relied upon? etc.). In our view a risk based approach would be appropriate such that this proposed requirement should not be applicable in every case when a specialist is engaged by the auditor.
- Acceptance of Work by A Company's Specialist: We agree that it is not appropriate for auditors to "blindly" accept work by company specialists, purely on the basis that the work was performed by a specialist. In our previous letter we did, however, question whether there might be unintended consequences if an auditor were – contrary to the extant standard – always precluded from using a specialist's work as audit evidence without further consideration. Whilst we support the requirement to evaluate the relevance and reliability of the specialist's work and its relationship to the relevant assertion (AS 1105.B6c.) and understand that this ties in with the risk based approach in AS 1105.B7, we fail to see the compatibility to the proposed requirement in AS 1105.B6a. for "testing and evaluating the data used by the specialist and evaluating whether the data was appropriately used by the specialist"; which shall apply even in cases where the auditor, applying professional skepticism is satisfied with the specialist's skills, competence, independence, little risk is involved and the auditor has gained no contradictory information etc. In contrast, ISA 500.8(c) and A 48 allow a

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degree of flexibility. We continue to believe that there may be cases in which requiring detailed testing may be excessive as proposed.

- **Professional Skepticism:** Given the increased focus on the significance of professional skepticism – especially in regard to audit procedures relating to accounting estimates – we believe the role of specialists in regard to the auditor’s duty to exercise professional skepticism needs to be given increased prominence. According to AS 1015.07-.09 due professional care requires the auditor to exercise professional skepticism. Thus the exercise of professional skepticism cannot be passed over to either an auditor-employed or an auditor-engaged specialist. Consequently measures to ensure proper coordination of the specialist’s work (AS 1201.C7 and AS 1210.08) will be important in this regard. We note the proposal to require the auditor to inform an auditor employed specialist of the auditor’s need to apply professional skepticism, and believe that an auditor-engaged specialist should equally be made aware of the auditor’s need to exercise such skepticism, so that the specialist is informed that relevant information should be passed on to the auditor, if and when applicable.
- **Differentiation of Expertise:** In practice it can be less than straightforward to differentiate between expertise in auditing and accounting and other areas, especially for those who are not members of the accounting or auditing profession. It might be helpful to expand on the proposed text in AS 1105.B1.1, AS 1201.C1.1 and AS 1210.01.1 to explain that e.g., an individual who specializes in complex taxation law would be providing legal expertise and so would constitute a legal specialist, or that an expertise in IT beyond the basic accounting system would be an IT specialist. In this context we refer to ISA 620.A2.

Desirability of Alignment with the International Standards on Auditing (ISA)

We refer to our previous letter in which we also referred to the desirability of aligning PCAOB standards with their corresponding ISA to the maximum extent possible, as well as our belief that it is not appropriate for the PCAOB to go further than the IAASB in requiring the auditor perform additional procedures that are based on guidance as opposed to requirements within the ISAs.

We would like to reiterate our calls for maximum possible alignment and urge the two respective Boards to coordinate in this regard.

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If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

Yours truly,

Klaus-Peter Feld
Executive Director

Gillian Waldbauer
Head of International Affairs