
GRANT THORNTON LLP

Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)
twitter.com/grantthorntonus

February 3, 2021

Auditing Standards Board
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th floor
New York, NY 10019

Via Email to CommentLetters@aicpa-cima.com

Re: Proposed Statement on Auditing Standards, Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources

Dear Board members and staff:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Statement on Auditing Standards, *Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources*. We respectfully submit our responses to the requests for comment listed in the exposure draft, along with additional observations, for the Board's consideration.

Responses to requests for comment

Question 1: Do you agree that the proposed amendments to incorporate appendix A, "Special Topics," of AS 2501 as guidance to AU-C section 540 are appropriate? If not, why not?

We support the proposed amendments to incorporate appendix A of AS 2501 as guidance into AU-C section 540. The auditor's use of pricing services historically has been a challenging audit area, and we believe this guidance would not only provide helpful direction to auditors, but also would enhance audit quality in this area. Nevertheless, we have paragraph-level recommendations in the next section of this letter that we believe can further improve the understandability of the proposed guidance.

Question 2: Do you believe the amendments to incorporate appendix A, “Special Topics,” of AS 2501 into AU-C section 540 should include requirements? If so, please specify which paragraphs of appendix A, “Special Topics,” of AS 2501 should be included as requirements.

We do not agree with incorporating any paragraphs from appendix A into AU-C section 540 as requirements. We believe that the guidance is sufficient and that specific requirements would be too prescriptive for the principles-based approach that is currently set forth in AU-C section 540.

Additional observations

We have identified the following additional observations related to the proposed amendments of AU-C section 501:

- We recommend that the Board clarify paragraph A19 to discuss that a specialist may still be needed for the valuation of certain inventory (for example, raw materials that contain precious metals and are valued based on the amount of precious metals within those materials), but an entity used solely for counting inventory (that is, determining inventory existence) is not a specialist, as that term is defined.
- We note that the three bullets proposed at the bottom of the list within paragraph A71 do not appear to flow as standalone considerations. These three items appear to relate to the persuasiveness of evidence needed, and we believe they may be better suited incorporated into the lead-in to the list or as a separate application paragraph.
- We believe the proposed changes to paragraph A83 eliminate the notion of relevance and reasonableness of significant assumptions and methods, which we do not agree with. We recommend the first bullet read “if that specialist’s work involves the use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods, taking into account the consistency of those assumptions with relevant information.” Further, we believe the last bullet should be reinstated to read “if that specialist’s work involves the significant use of source data, whether produced by the entity or by the specialist, the relevance, completeness, and accuracy of that source data.”
- In paragraph A86, we are concerned that the reference to “data” is too general. We recommend referring to “internal or external data.” This clarification would also make paragraph A86 consistent with paragraph A80.

We have identified the following additional observations related to the proposed amendments of AU-C section 540:

- We note that paragraph A129 refers to “Appendix D,” but that paragraph A154 is labeled “Appendix C.” We recommend updating the reference in paragraph A129 to state “Appendix C.” The remaining bullets refer to paragraphs within Appendix C.
- In paragraphs 3, 4, 12a, and 14, we note that the Board included the phrase “an interest in” to the guidance related to considering relationships between the pricing

service or broker-dealer and the entity. This language is inconsistent with AU-C section 550 and also does not appear in the PCAOB standard. It is unclear what the Board's intention was in including this language, and we recommend removing it because the notion of "relationships" is broad enough to capture any such interests, and a pricing service or broker-dealer is not a specialist.

- While we recognize paragraph 10 is part of the application guidance, we are concerned with the prescriptiveness of the parenthetical phrase "more than two" in 10b. We believe it is possible, in this scenario, for two pricing services to provide the auditor with sufficient appropriate audit evidence. Therefore, we recommend deleting the parenthetical phrase referring to "more than two." We also suggest referring to "multiple" in lieu of "several."
- We recommend revising paragraph 11 to begin "Based on the **consideration** of the preceding factors..." We believe paragraph 10 does not call for an evaluation, and therefore paragraph 11, as proposed, mischaracterizes the guidance.
- With regard to paragraph 13, binding broker quotes may be rare. This paragraph implies that a nonbinding broker quote does not provide sufficient appropriate audit evidence, while also implying that additional procedures may include obtaining relevant and reliable pricing information from another pricing source, which may also be nonbinding. Accordingly, it may be helpful to provide guidance related to the additional procedures that an auditor may need to perform, such as considering the entity's model or contradictory evidence.

We have identified the following additional observations related to the proposed amendments of AU-C section 620:

- We believe the proposed change to paragraph A35 is unclear. The notion of "in the context of the audit" seems too broad and may not be understood by auditors. We believe the Board proposed this amendment in consideration of a portion of paragraph 10 and PCAOB AS 1210, which states "... the significance of the specialist's work to the auditor's conclusion regarding the relevant assertion..." We believe the PCAOB's language is clearer and provides better guidance for the auditor's consideration. Therefore, we recommend the proposed amendment be revised to read "and the significance of the auditor's specialist's work in the context of the **relevant assertion**..."

We would be pleased to discuss our comments with you. If you have any questions, please contact Bert Fox, National Managing Partner of Professional Standards, at (312) 602-9080 or Bert.Fox@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP