



Aug. 28, 2023

Erica Y. Williams, Chair, Public Company Accounting Oversight Board
Office of the Secretary
PCAOB
1666 K Street, NW
Washington, DC 20006-2803
comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 052

Dear Ms. Williams:

The Accounting & Auditing Steering Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide feedback on the *Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form*. The PICPA is a professional CPA association of about 20,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms and members serving in financial reporting positions. The committee's comments are included below.

- Question 3. In addition to the proposed amendments, what other requirements may need to be included in PCAOB standards to address the use of technology-assisted analysis in audits?

The proposed amendments focus on procedures in which “the auditor establishes and uses criteria to identify items for further investigation (Proposed AS 2301.37A). For example, an auditor may identify balances or transactions that contain a certain characteristic or that are valued outside of a range (FN 17A). Some committee members believe further clarification could be helpful with respect to the use of technology-assisted analysis in substantive testing. For example, using audit data analytics in internal controls or matching for a test of details not “establishing and using criteria to identified items for further investigation” (e.g., three-way match of sales invoices, shipping documents, and a master prices list). Other committee members say the existing standards were sufficient in this area. If additional guidance is not provided, the committee requests supplemental materials that illustrate the use of these techniques.

Additionally, audit software applications are evolving to incorporate risk assessment tools that are generated by artificial intelligence (AI). The committee questions whether/when PCAOB standards will permit the use of such tools. If the PCAOB believes that these tools currently are permitted, the committee requests additional clarification and detailed guidance.

- Question 4. Are the proposed amendments that clarify differences between tests of details and analytical procedures clear and appropriate? If not, what changes should be made to them?

The proposed guidance makes it harder to get a test to qualify as a substantive test based on how much follow-up work is done. The committee believes that the proposed requirements are unnecessarily nuanced between a substantive and analytic test based on how much follow-up on an analytic procedure is necessary before it is considered a substantive test.

- Question 9. Are the proposed amendments that specify requirements for the auditor to perform procedures to evaluate the reliability of external information maintained by the company in electronic form that the auditor uses as audit evidence clear and appropriate? If not, what changes should be made to the amendments?

The explanatory materials (page 24) refer to examples of using large volumes of information provided by the company that the company received from external sources in electronic form. The committee suggests including examples of such information to help clarify the intent.

- Question 10. Are the proposed amendments that emphasize the importance of controls over information technology for the reliability of audit evidence clear and appropriate? If not, what changes should be made?

The committee believes that these amendments are clear and appropriate.

- Question 11. When the auditor uses information produced by the company and external information maintained by the company in electronic form, should PCAOB standards require internal controls over such information to be tested and determined to be effective for such information to be considered reliable audit evidence?

The committee believes that this depends on facts and circumstances. A blanket requirement to test controls is not appropriate. For example, it is not always feasible to test controls over certain vendor or customer inputs, and the requirement to test controls should vary based on the risk and the type of evidence needed.

- Question 12. Are the proposed amendments that update certain terminology in AS 1105 clear and appropriate? If not, what changes should be made?

The updated terminology appears appropriate.

- Question 16. Are there additional potential costs that should be considered? If so, what are they?

The committee notes that firms will need to spend time researching various tools and performing due diligence to ensure compliance with their quality control systems. Once a solution is selected, staff will need to be trained.

Additional costs include the amount of effort obtaining the data in a format that can be used by the software solution, including maintaining data security, confidentiality and integrity. This can be a significant cost, and the committee notes that this is sometimes a barrier to using data analytics on an audit. The proposed standard includes additional procedures that would need to be performed in order to use the data. While the committee agrees with these additional procedures, they do represent an additional cost to using technology tools on an audit.

While lower audit fees are listed as a benefit under page 40, the committee does not believe that the costs of performing the audit will decrease with the use of technology. Instead, the auditor will simply be more equipped to address the increasing risks presented by clients' use of technology.

We appreciate your consideration of our input to the *Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form*. We are available to discuss any of these comments with you at your convenience.

Sincerely,



Rebecca Walck, CPA
Chair, PICPA Accounting & Auditing Steering Committee