

# Substantive Analytical Procedures

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# AGENDA

- Use of Substantive Analytical Procedures (SAPs) in an Audit to Obtain Audit Evidence
- SAPs as Part of the Audit Response to Assessed Significant Risks of Material Misstatement, Including Fraud Risks
- Sources of Information Used in Developing the Auditor's Expectation; Precision of the Auditor's Expectation
- Changes as the Result of Advancements in Technology

# USE OF SUBSTANTIVE ANALYTICAL PROCEDURES IN AN AUDIT TO OBTAIN AUDIT EVIDENCE

## Questions for Discussion:

- In your experience, what types of accounts and relevant assertions are SAPs used for as part of the auditor's response to assessed risks of material misstatement? Are they used alone or in combination with tests of details?
- In your experience, do preparers use analytical procedures that include developing an expectation, and if so, for which types of accounts and for what purpose?

# SUBSTANTIVE ANALYTICAL PROCEDURES AS PART OF THE AUDIT RESPONSE TO ASSESSED SIGNIFICANT RISKS OF MATERIAL MISSTATEMENT, INCLUDING FRAUD RISKS

## Questions for Discussion:

- In your experience, what are examples of SAPs used as part of the audit response to significant risks, including fraud risks?
- In your experience, could SAPs ever be as effective, or even more effective than tests of details, in responding to a significant risk, including a fraud risk? When would it be the case?

# SOURCES OF INFORMATION USED IN DEVELOPING THE AUDITOR'S EXPECTATION; PRECISION OF THE AUDITOR'S EXPECTATION

## Questions for discussion:

- In your experience, for which audit areas (e.g., accounts, relevant assertions) could auditors develop more precise expectations than others?
- In your experience, would developing expectations using ratios in SAPs provide evidence that is as persuasive as using amounts? In what circumstances would this be the case?
- In your experience, when and for what types of accounts have expectations been able to be developed using information from external sources? When would it be more effective to develop expectations using information from an external source, and when would it be less effective?

# CHANGES AS THE RESULT OF ADVANCEMENTS IN TECHNOLOGY

## Questions for discussion:

- In your experience, has the auditor's use of technology changed how and when SAPs are designed and performed? If so, how? What further changes could be expected?
- Would the use of technology result in auditors being able to develop more precise expectations in additional audit areas (e.g., additional accounts or assessed risks)? Which types of technologies would enable the auditor to develop more precise expectation and in which areas?
- What are the advantages and disadvantages of the increased availability of information and use of technology-based tools in designing and performing SAPs?