

Amendments to Auditing Standards Relating to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form

Amendments to PCAOB Auditing Standards: Comparison to Existing Standards ([PCAOB Release 2024-007, Appendix 1](#))

The Board has adopted amendments to certain PCAOB auditing standards related to aspects of designing and performing audit procedures that involve technology-assisted analysis of information in electronic form, and this appendix sets forth those amendments. The amendments were approved by the U.S. Securities and Exchange Commission on August 20, 2024 (SEC Release No. 34-100774 (August 20, 2024)).

This comparison document was prepared by staff of the Office of the Chief Auditor as a reference tool for the amendments presented in Appendix 1 of the PCAOB release. It shows changes from the existing standards, with added text underscored and deleted text ~~stricken through~~. Amendments for the following PCAOB standards are included in this document:

- AS 1105, *Audit Evidence*
- AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*

AS 1105, Audit Evidence

Relevance and Reliability

.07 *Relevance*. The relevance of audit evidence refers to its relationship to the assertion or to the objective of the control being tested. The relevance of audit evidence depends on:

- a. The design of the audit procedure used to test the assertion or control, in particular whether it is designed to (1) test the assertion or control directly and (2) test for understatement or overstatement; ~~and~~
- b. The timing of the audit procedure used to test the assertion or control; and
- c. The level of disaggregation or detail of information necessary to achieve the objective of the audit procedure.

.08 *Reliability*. The reliability of evidence depends on the nature and source of the evidence and the circumstances under which it is obtained. ~~For example, in general:~~

- Evidence obtained from a knowledgeable source that is independent of the company is more reliable than evidence obtained only from internal company sources.

Note: See Appendix A of this standard for requirements related to the evaluation of evidence from a company's specialist.

- The reliability of information generated internally produced by the company and information that the company received from one or more external sources in electronic form are more reliable~~is increased~~ when the company's controls over that information including, where applicable, its information technology general controls and automated application controls, are effective.
- Evidence obtained directly by the auditor is more reliable than evidence obtained indirectly.
- Evidence provided by original documents is more reliable than evidence provided by photocopies or facsimiles, or documents that have been filmed, digitized, or otherwise converted into electronic form, the reliability of which depends on the controls over the conversion and maintenance of those documents.

Note: If a third party provides evidence to an auditor subject to restrictions, limitations, or disclaimers, the auditor should evaluate the effect of the restrictions, limitations, or disclaimers on the reliability of that evidence.

Using Information Produced by the Company

.10 When using information produced by the company as audit evidence, the auditor should evaluate whether the information is sufficient and appropriate for purposes of the audit by performing procedures to:³

- Test the accuracy and completeness of the information, or test the controls over the accuracy and completeness of that information, including, where applicable, information technology general controls and automated application controls,^{3A} and
- Evaluate whether the information is sufficiently precise and detailed for purposes of the audit.

³ When using the work of a company's specialist, see Appendix A of this standard. When using information produced by a service organization or a service auditor's report as audit evidence, see AS 2601, *Consideration of an Entity's Use of a Service Organization*, and for integrated audits, see AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

^{3A} For situations involving information in electronic form, see paragraph .17 of AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*.

Evaluating the Reliability of External Information Provided by the Company in Electronic Form

.10A The company may provide to the auditor information in electronic form that the company received from one or more external sources.^{3B} When using such information as audit evidence, the auditor should evaluate whether the information is reliable for purposes of the audit by:

- a. Obtaining an understanding of (i) the source from which the company received the information; and (ii) the company's process by which such information was received, maintained, and, where applicable, processed, which includes understanding the nature of any modifications made to the information before it was provided to the auditor; and

- b. Testing the information to determine whether it has been modified by the company and evaluating the effect of those modifications; or testing controls over receiving, maintaining, and processing the information (including, where applicable, information technology general controls and automated application controls).

^{3B} Such information includes, for example, cash receipts, shipping documents, and purchase orders.

Audit Procedures for Obtaining Audit Evidence

.13 Audit procedures can be classified into the following categories:

- a. Risk assessment procedures,⁶ and
- b. Further audit procedures,⁷ which consist of:
 - 1. Tests of controls, and
 - 2. Substantive procedures, including tests of details and substantive analytical procedures.

⁶ AS 2110.

⁷ AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*.

.14 Paragraphs .15-.21 of this standard describe specific audit procedures. The purpose of an audit procedure determines whether it is a risk assessment procedure, test of controls, or substantive procedure. If the auditor uses an audit procedure for more than one purpose, the auditor should achieve each objective of the procedure.^{7A}

^{7A} AS 2110 establishes requirements regarding the process of identifying and assessing risks of material misstatements of the financial statements. AS 2301 establishes requirements regarding designing and implementing appropriate responses to the risks of material misstatement, including tests of controls and substantive procedures.

Inspection

.15 Inspection involves examining ~~information records or documents~~, whether internal or external, in paper form, electronic form, or other media, or physically examining an asset. Inspection of ~~information records and documents~~ provides audit evidence of varying degrees of reliability, depending on ~~the their~~ their nature and source of the information and the circumstances under which the information is obtained.^{7B} ~~and, in the case of internal records and documents, on the effectiveness of the controls over their production.~~ An example of inspection used as a test of controls is inspection of records for evidence of authorization.

^{7B} See paragraph .08 of this standard.

Recalculation

.19 Recalculation consists of checking the mathematical accuracy of information, documents or records. Recalculation may be performed manually or electronically.

Appendix A - Using the Work of a Company's Specialist as Audit Evidence

Evaluating the Work of the Company's Specialist

.A8 The auditor should:

- a. Test the accuracy and completeness of company-produced data used by the specialist,⁴ and evaluate the relevance and reliability⁵ of data from sources external to the company that are used by the specialist;

⁴ See paragraph .10 of this standard.

⁵ See paragraphs .07, ~~and .08~~, and .10A of this standard.

AS 2301, The Auditor's Responses to the Risks of Material Misstatement

Responses Involving the Nature, Timing, and Extent of Audit Procedures

.10 The audit procedures performed in response to the assessed risks of material misstatement can be classified into two categories: (1) tests of controls and (2) substantive procedures.⁹ Paragraphs .16-.35 of this standard discuss tests of controls, and paragraphs .36-.46 and .48-.50 discuss substantive procedures.

Note: Paragraphs .16-.17 of this standard discuss when tests of controls are necessary in a financial statement audit. Ordinarily, tests of controls are performed for relevant assertions for which the auditor chooses to rely on controls to modify his or her substantive procedures.

⁹ Substantive procedures consist of (a) tests of details of accounts and disclosures and (b) substantive analytical procedures.

Test of Details

.48 A test of details involves performing audit procedures with respect to items included in an account or disclosure (e.g., the date, amount, or contractual terms of a transaction). When performing a test of details, the auditor should apply audit procedures that are appropriate to the particular audit objectives to each item selected for testing.²¹

²¹ AS 1105 describes the alternative means of selecting items for testing: selecting all items, selecting specific items, and audit sampling. See AS 1105.22-.28.

.49 When performing a test of details, the auditor may identify items that require further investigation.²² Audit procedures that the auditor performs to investigate the identified items are part of the auditor's response to risks of material misstatement. The auditor determines the nature, timing, and extent of such procedures in accordance with PCAOB standards.²³ The auditor's investigation of the identified items should include determining whether these items individually or in the aggregate indicate (i) misstatements that should be evaluated in accordance with AS 2810, *Evaluating Audit Results*, or (ii) deficiencies in the company's internal control over financial reporting.²⁴

²² For example, an auditor may identify balances or transactions that contain a certain characteristic or that are valued outside of a range.

²³ See, e.g., AS 2315, which describes the auditor's responsibilities for evaluating sampling results when tests of details involve audit sampling, and paragraph .50 of this standard when tests of details involve specific items selected for testing.

²⁴ In an integrated audit of financial statements and internal control over financial reporting, the auditor should perform the evaluation in accordance with AS 2201. In an audit of financial statements only, the auditor should follow the direction of AS 2201.62-.70, as stated AS 1305.03.

.50 When the auditor selects specific items²⁵ within an account or disclosure for testing, the auditor should determine whether there is a reasonable possibility that remaining items within the account or disclosure include a misstatement that, individually or when aggregated with others, would have a material effect on the financial statements.²⁶ If the auditor determines that there is a reasonable possibility of such a risk of material misstatement in the items not selected for testing, the auditor should perform substantive procedures that address the assessed risk.²⁷

²⁵ See AS 1105.25-.27.

²⁶ See AS 2110.

²⁷ See paragraphs .08 and .36 of this standard.