



August 28, 2023

By email: comments@pcaobus.org

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form; PCAOB Rulemaking Docket Matter No. 052

Dear Office of the Secretary:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditor firm and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

Support and General Observations

This letter sets forth our views on the Public Company Accounting Oversight Board's (PCAOB or the Board) Technology-Assisted Analysis proposal to amend AS 1105 *Audit Evidence* and AS 2301 *The Auditor's Responses to the Risks of Material Misstatement*.

The CAQ is supportive of the Board's objective to provide greater guidance and clarity for auditors when using technology-assisted analysis within the audit as the use of technology-assisted analysis in the audit continues to become more pervasive.

We commend the PCAOB on the outreach performed to date related to technology, which has been conducted with a wide range of stakeholders in the profession, the PCAOB's Data and Technology Task



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Force, the previous Standing Advisory Group, as well as the current PCAOB advisory groups: the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG). As technology continues to evolve at a rapid pace, additional topics and questions are likely to arise related to the use of technology in the audit and how these technologies improve audit quality. We recommend that the PCAOB continue to engage with the audit profession, key technology providers, and others to understand emerging technology-related topics and assess whether and how the PCAOB can most appropriately address such emerging topics on a timely and priority basis as they arise.

In particular, while we recognize that the proposed amendments are intentionally focused on providing clarity regarding the use of technology-assisted analysis within the *existing* framework for audit evidence in the PCAOB standards, we encourage the Board to potentially think broader about technology, the audit, and audit quality. As one example, we believe that there remains an opportunity for the PCAOB to reconsider the binary classification of substantive procedures and instead focus solely on the sufficiency and appropriateness of audit evidence obtained by an audit procedure. While these distinctions are historic and thus known to auditors and PCAOB inspection professionals, we believe a better focus is on the substance of the audit evidence versus the classification. The CAQ welcomes the opportunity to engage in further dialogue with the PCAOB and especially the Board's Technology Innovation Alliance Working Group on these topics.

Summary of Significant Feedback on the Proposed Amendments

In our responses to the specific questions outlined in the Release, we offer feedback on certain proposed requirements for which we believe additional clarifications or edits would be beneficial. As we are generally supportive of the amendments, we have only responded to questions where we have specific feedback or recommendations. Our most significant comments are as follows:

- **Clarification provided by defining tests of details**

We support the clarification in AS 1105.13(b), which states that a test of details (TOD) involves performing procedures with respect to individual items included in an account or disclosure. While the statement "analytical procedures generally do not involve evaluating individual items included in an account or disclosure, unless those items are part of the auditor's investigation of significant differences from expected amounts" was true in the past, it may not be currently. Specifically, as it relates to analytical procedures enabled by technology, plausible relationships among data and related expectations can, in certain circumstances, be developed at the individual item level. As such, we recommend that the discussion on analytical procedures be removed from the note to AS 1105.13.

- **Evaluating the reliability of external information maintained by the company in electronic form**

It is helpful that the proposal provides additional guidance regarding the reliability of external information maintained by the company in electronic form. As we discuss in our response to questions 9 and 10, we offer this feedback:

- It would be helpful if the Board would provide examples of external information maintained by the company *in its information systems* in electronic form to alleviate uncertainty regarding what is meant by "in its information systems."



- It would be helpful if the Board could clarify the phrase “test the company’s procedures” used in AS 1105.10A, as this phrase is not used elsewhere within PCAOB standards.
 - We believe that AS 1105.10A should provide the auditor with the ability to directly perform procedures to evaluate the reliability of external information maintained by the company in its information systems in electronic form.
 - We do not agree with the requirements in AS 1105.10A(b) that appear to require testing of information technology general controls and application controls in all circumstances (where the auditor chooses to test controls rather than testing the company’s procedures). We believe that the auditor should be permitted to determine the degree of control testing required based on the auditor’s risk assessment.
 - We recommend updates to the discussion of “original documents” in AS 1105.08, which relates to the reliability of evidence provided by information in electronic form.
- **Investigation of items meeting the criteria established by the auditor when designing and performing substantive procedures**

We believe that there is an opportunity for the PCAOB to provide additional guidance to auditors on key topics related to the investigation of items meeting the criteria established by the auditor. Specifically, clarification would be helpful related to certain situations that the auditor may face when performing audit procedures over 100% of the population using technology-assisted analysis. See further discussion in our response to question 7.

Support for a Scalable Approach to the Use of Technology-Assisted Analysis in Audits

We believe that significant benefits can be realized by employing technology-assisted analysis on audit engagements, including, as highlighted in the Release, designing and performing audit procedures more effectively and efficiently, ultimately leading to higher audit quality.¹ Technology-assisted analysis may enable the auditor to identify and analyze financial relationships, providing auditors with new insights and the ability to form more detailed views about the likelihood and potential magnitude of risks of material misstatement, and also to obtain persuasive audit evidence.

Notwithstanding our views on the benefits of technology-assisted analysis, we appreciate that PCAOB standards continue to enable auditors to employ audit procedures that are appropriate based on the engagement-specific facts and circumstances, recognizing that technology-assisted analysis may not be the most effective option and therefore its use should not be expected on all audits. We believe that this is particularly important for the proposal to be scalable for firms (and the companies they audit) of all sizes and with varying technological resources. There can be significant costs associated with performing technology-assisted analysis. Costs to obtain and prepare company data for analysis can vary significantly depending on the enterprise resource planning (ERP) system used by the company and the type and format of available data. In addition, the need to involve specialists or others outside the core engagement team may vary depending on the nature and complexity of the technology-assisted analysis to be

¹ PCAOB Release No. 2023-004, page 35.



performed. In some circumstances, it may not be possible to perform procedures using technology-assisted analysis due to the lack of data or format of data available from the company.

Specific Feedback

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

In addition to our general observations above, the Board's upcoming proposal related to substantive analytical procedures (SAP) (AS 2305) is also important to address the use of technology-assisted analysis in audits. The SAP project provides an opportunity to reconsider the presumption that it is unlikely that audit evidence obtained from SAPs alone will be sufficient to respond to significant risks. We believe that the use of technology-assisted analysis in performing SAPs may enable auditors to perform SAPs with higher levels of precision that may provide the auditor with sufficient and appropriate audit evidence to address significant risks and may enhance the auditor's procedures to detect fraud.

- 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?*

In addition to our general observations above, we are supportive of the Board's intent to describe TODs as they currently are not defined in the PCAOB standards, and we agree that a TOD involves performing procedures with respect to individual items included in an account or disclosure. However, we offer the following feedback for consideration on this topic.

We believe that analytical procedures are clearly defined in the PCAOB standards and are well-understood by auditors. AS 2305.02 states that SAPs "consist of evaluations of financial information made by a study of plausible relationships among both financial and nonfinancial data. Analytical procedures range from simple comparisons to the use of complex models involving many relationships and elements of data. A basic premise underlying the application of analytical procedures is that plausible relationships among data may reasonably be expected to exist and continue in the absence of known conditions to the contrary." We believe that this definition coupled with the new definition of TODs provides helpful guidance to auditors to determine the appropriate classification of an audit procedure.

We appreciate the intent to describe TODs. However, we do not believe that the comparison to SAPs is necessary. The current proposal states that "analytical procedures generally do not involve evaluating individual items included in an account or disclosure." However, we think that analytical procedures could, in certain circumstances, involve evaluating individual items included in an account or disclosure because the use of technology enables the auditor to design and perform analytical procedures by understanding plausible relationships among data and developing related expectations at the individual item level. Auditors would likely look to the nature of the procedure (i.e., the analysis of plausible relationships among data compared with other more direct audit procedures) in determining whether an audit procedure is a TOD or SAP.



Accordingly, we propose the following update to AS 1105.13:

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

- a. Risk assessment procedures, [FN 6 excluded] and*
- b. Further audit procedures, [FN 7 excluded] which consist of:*
 - (1) Tests of controls, and*
 - (2) Substantive procedures, including tests of details and substantive analytical procedures.*

*Note: A test of details involves performing audit procedures with respect to individual items included in an account or disclosure, ~~whereas analytical procedures generally do not involve evaluating individual items included in an account or disclosure, unless those items are part of the auditor's investigation of significant differences from expected amounts.~~[FN 7A]
[FN 7A] See also paragraph .21 of this standard.*

We also recommend updates to AS 1105.21, which would remove the discussion contrasting analytical procedures and TODs (consistent with our suggested edits to AS 1105.13) and specifically clarify that analytical procedures can involve developing expectations at an aggregate or individual item level (additions marked as underlined):

.21 Analytical procedures consist of evaluations of financial information made by an analysis of plausible relationships among both financial and nonfinancial data that can be external or company-produced. Analytical procedures may involve using data to develop expectations at an aggregate or individual item level. Analytical procedures also encompass the investigation of significant differences from expected amounts. ~~Unlike tests of details, analytical procedures generally do not involve evaluating individual items included in an account or disclosure, unless those items are part of the auditor's investigation of significant differences from expected amounts.~~[FN 11 excluded]

The nuances of classifying technology-assisted analysis as TODs and SAPs are challenging to work through without an interactive discussion. As noted above, the CAQ welcomes the opportunity to engage in further discussion with the PCAOB on this topic.

6. *Are the proposed requirements that specify the auditor's responsibilities when using audit evidence from an audit procedure to achieve more than one purpose clear and appropriate? If not, what changes should be made to the amendments?*

We support the proposed amendments to AS 1105.14, which would require the auditor to design and perform an audit procedure to achieve each relevant objective established by the auditor. However, we believe it is important to acknowledge that procedures performed using technology-assisted analysis may provide the auditor with new insights and information that can be used to refine the auditor's expectations and procedures in real-time and may produce evidence related to audit objectives that may not have been originally contemplated, confirmatory or contradictory. For example, when using technology-assisted analysis to perform procedures on a population of revenue transactions, the auditor



may find that there is a sub-population of revenue transactions that exhibit different characteristics than the rest of the population. Using professional judgment, the auditor may determine that it is appropriate to modify the initially planned audit procedures to address these differing characteristics and achieve the relevant audit objective. As such, it would be helpful for the final standard to acknowledge that designing and performing audit procedures to achieve each relevant objective can be iterative in nature and that the purpose or intent of the procedure and expectations may evolve while executing the analysis and that this is appropriate given the proposed amendments to AS 1105.14.

Additionally, to provide additional guidance and promote consistency in practice, we suggest that the PCAOB include an example of audit evidence from an audit procedure that achieves more than one purpose, such as the example provided in AICPA AU-C 500 *Audit Evidence* Exhibit A.²

7. *Would the proposed amendments, that specify considerations for the auditor's investigation of items that meet criteria established by the auditor when designing or performing substantive procedures, improve the identification and assessment of the risks of material misstatement and the design and implementation of appropriate responses to the assessed risks?*

We appreciate the PCAOB specifying what is expected regarding the investigation of items meeting criteria established by the auditor when designing or performing substantive procedures. However, the requirements proposed in AS 2301.37A may leave some open questions that could be clarified to help drive consistency in interpretation and execution. The points in 2301.37A (a) – (d) already exist in other PCAOB standards and we believe that firms are already contemplating these requirements.³ As such, we believe that the final standard could be enhanced by addressing the following topics related to the auditor's investigation of items that meet criteria established by the auditor:

- A. Clarification that if an audit procedure that addresses 100% of the population using technology-assisted analysis returns items within the population that meet the criteria established by the auditor, it may be acceptable to sample those items if they have similar characteristics such that audit sampling can be expected to be representative of that population of items identified and the results can be projected to the population of items that meet the criteria established by the auditor. We believe that this is an acceptable approach and recommend that additional guidance be provided in AS 2301. Clarification on this point could give auditors confidence in using technology-assisted analysis to perform procedures over 100% of populations.
- B. Conversely, if the auditor properly designs a TOD involving technology-assisted analysis that addresses 100% of the population (and appropriately addresses the risk(s) of material

² [AICPA AU-C 500](#) paragraph A69

³ For example, when the auditor obtains evidence during the audit that contradicts the audit evidence on which the original risk assessment was based, AS 2110.74 requires the auditor to revise the risk assessment and modify the planned audit procedures or perform additional procedures in response to the revised risk assessment (see also AS 2301.46), which is consistent with the proposed amendments to paragraph .37A bullets a, b, and d. We also believe that bullet c of the proposed amendments to paragraph .37A is addressed through the requirements within AS 2201.08 and AS 2315.26.



misstatement) and returns no items that meet the criteria established by the auditor, then additional testing of the population would not be expected in accordance with the proposed amendments (assuming the auditor has determined that the information used in the analysis is sufficient and appropriate for purposes of the audit). Further, the requirements in AS 2301.37A would not be applicable as no items meeting the auditor's criteria for investigation were identified. While we believe that the requirements as currently proposed would indicate that the procedures performed are sufficient, additional guidance such as an example in the Release text or through specific requirements included in AS 2301 would be beneficial.

8. What other factors, if any, should the auditor consider when investigating items that meet criteria established by the auditor when designing or performing substantive procedures?

As described in our response to question 7, additional clarification to the amendments related to the investigation of items meeting criteria established by the auditor when designing or performing substantive procedures could be beneficial to provide clarity on key questions faced by auditors.

Additionally, page 22 of the Release provides examples for consideration when applying the proposed amendments to AS 2301.37A. The first example discusses how the auditor may apply the requirements when performing risk assessment procedures. It is our view that AS 2301.37A would be applicable when the auditor is investigating items that meet the criteria established for a substantive procedure, as the investigation of items identified in the performance of risk assessment procedures would be addressed through the requirements in AS 2110.74. Accordingly, we recommend that the revenue transaction example on page 22 of the Release be removed or updated.

The second example refers to groups of transactions where the risk of material misstatement may be assessed as higher or lower. This example introduces terminology that is not used in AS 2110, which focuses on the likelihood and magnitude of potential misstatements but does not introduce the concept of lower and higher risk of material misstatement. For consistency with existing PCAOB standards, it would be helpful for the wording of the example to align with AS 2110. It may also be helpful to include additional detail in the example to provide further clarity as to why the procedures performed to investigate the higher and lower risk transactions are appropriate.

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?

We appreciate the guidance in AS 1105.10A to provide additional clarity regarding the auditor's responsibility for external information maintained by the company in electronic form. The Board's consideration of the following further clarifications would be helpful.

In proposed AS 1105.10A the phrase "maintained *in its information systems* in electronic form [emphasis added]" is included. We interpret the term "information systems" in AS 1105.10A to be consistent with AS 2110.28, which focuses on information systems that are relevant to financial reporting. We believe



that this is an important clarification because external information maintained by the company in its information systems in electronic form (for example, information regarding purchase orders from suppliers) would typically be subject to information technology general controls, whereas a PDF bank statement downloaded by an employee and maintained on their local computer may not be subject to the same or similar information technology general controls. As such, it would be beneficial for the PCAOB to include an example in the Release to clarify that this interpretation is accurate.

Additionally, we are not sure what is meant by AS 1105.10A(b) which states that the auditor can “test the company’s procedures discussed in subpart (a) of this paragraph.” The phrase “test the company’s procedures” is not used elsewhere in the PCAOB auditing standards and it is not clear to us what is meant by testing the company’s procedures compared with testing the company’s controls.

We note that AS 1105.10 permits the auditor to perform procedures to directly test the accuracy and completeness of information produced by the company. AS 2305.16 also permits the auditor to test controls or perform other procedures to support the completeness and accuracy of the underlying information used in SAPs. It does not appear that this option to perform other procedures to evaluate the reliability of external information maintained by the company in its information systems in electronic form is included in AS 1105.10A. We ask the Board to consider providing additional clarity stating that it would be appropriate for the auditor to directly perform procedures to evaluate the reliability of such information in AS 1105.10A. This is important because potential audit scope limitations could arise in instances where controls are not effective or the company’s controls are not designed at a precise enough level for the auditor to rely on certain data elements, and the company does not perform other procedures over the information. In these circumstances, while management’s controls may be appropriate for management’s purposes, the auditor does not appear to have another method to test the underlying information for reliability. We believe that it should still be possible for the auditor to independently gather audit evidence that the information is reliable.

Further, the requirements in AS 1105.10A(b) seem to imply that it would be mandatory for the auditor to test information technology general controls and automated application controls in all circumstances (when the auditor chooses to test controls). The external information may also be subject to manual controls that, if operating effectively, could provide sufficient appropriate audit evidence about the reliability of external information maintained by the company in its information systems electronic form, and further testing of information technology general controls and automated application controls would not be necessary. Additionally, a requirement to test information technology general controls and automated application controls in all circumstances appears inconsistent with the requirements in AS 2201 *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*, which links the extent of the auditor’s control testing procedures to the auditor’s risk assessment.⁴ AS 1105.10A(b) appears to remove considerations of the auditor’s risk assessment and judgment in determining the extent of control testing required.

⁴ AS 2201.41 states that “[t]he decision as to whether a control should be selected for testing depends on which controls, individually or in combination, sufficiently address the assessed risk of misstatement to a given relevant



Finally, we recommend that the examples of external information maintained by the company in its information systems in electronic form included in footnote 3B to AS 1105.10A be updated to provide greater clarity for auditors. The example states “information regarding ... cash received by the company from a customer as payment for an invoice,” however it is not clear if this is referring to cash receipts data where the cash has been applied to customer invoices in the company’s ERP system, the electronic data files received from the bank from the lockbox with cash receipt information, wire transfer information, information received through an EDI feed, or something else.

To address our concerns noted above and also to enhance scalability of the standard, we suggest AS 1105.10A be updated as follows (additions marked as underlined):

***.10A** The company may provide to the auditor information that the company received from one or more external sources and maintained in its information systems in electronic form.[FN 3B excluded] When using such information as audit evidence, the auditor should evaluate whether the information is reliable for purposes of the audit by performing procedures to:*

- a. Obtain an understanding of the source of the information and, where necessary, the company’s procedures ~~by which over~~ such information is received, recorded, maintained, and processed in the company’s information systems, and*
- b. Test controls ~~(including information technology general controls and automated application controls)~~ over the company’s procedures discussed in subpart (a) of this paragraph or otherwise obtain evidence about the reliability of the information ~~test the company’s procedures discussed in subpart (a) of this paragraph.~~*

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?

While we are supportive of emphasizing the importance of controls through the proposed updates to AS 1105.08 and AS 1105.15, we have concerns related to proposed amendments that appear to require the testing of controls (including information technology general controls and automated application controls). Specifically, we believe that the proposed amendments to AS 1105.15 could imply that the auditor cannot perform procedures to establish the reliability of information if the controls are found to be ineffective. As the proposed amendments to AS 1105.15 related to the reliability of information parallel the concepts in AS 1105.08, we recommend the following updates to paragraph AS 1105.15 to mirror the language in AS 1105.08 (additions marked as underlined):

***.15** Inspection involves examining information, whether internal or external, in paper form, electronic form, or other media, or physically examining an asset. Inspection of information provides audit*

assertion rather than on how the control is labeled (e.g., entity-level control, transaction-level control, control activity, monitoring control, preventive control, detective control).”

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evidence of varying degrees of reliability, depending on its nature and source.[Footnote 7C excluded] In addition, the reliability of information produced by the company, or external information maintained by the company in electronic form, is generally considered more reliable when the company's controls over that information including, where applicable, its information technology general controls and automated application controls, are effective, ~~also depends on the effectiveness of the controls over that information, including, where applicable, information technology general controls and automated application controls.~~[Footnote 7D excluded] An example of inspection used as a test of controls is inspection of records for evidence of authorization.

Additionally, as it relates to AS 1105.08, we believe that the discussion regarding “original documents” could be further modernized to better reflect that some information and documents may only exist in electronic form (as opposed to the electronic form of the document being a copy of the original) or, in many cases, the execution of a transaction is not in the form of a document at all. For example, when a transaction is initiated in a company’s ERP system through an electronic data transmission directly from a customer, no physical or original document exists evidencing the initiation of the transaction by the customer and the traditional notion of an “original document” doesn’t fit the way the transaction is originated and executed. In such cases, evaluating other evidence including the effectiveness of controls, the customer order history, the billing and subsequent settlement of accounts receivable with the customer, the delivery and acceptance history, the customer’s return/rejection history, and/or credit notes may be more appropriate individually or in combination to establish the reliability of the customer-initiated transactions. While we suggest modernizing the language, we agree that it is important for AS 1105.08 to continue to address the concept that information that has been modified from its original form (whether that is hard copy or electronic form) may give rise to additional risks about the reliability of the information.

As such, we recommend that AS 1105.08 be updated as follows (additions marked as underlined):

.08 Reliability. The reliability of evidence depends on the nature and source of the evidence and the circumstances under which it is obtained. 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.*
- *Information in electronic form, including information produced by the company and external information maintained by the company in electronic form, is generally considered ~~are~~ more reliable 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.*

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- *Evidence provided ~~by~~ in its original form documents (whether in hard copy or electronic form) is generally considered more reliable than evidence ~~provided by that has~~ undergone conversion, copying, or other modifications from its original form, photocopies or facsimiles, or documents that have been filmed, digitized, or otherwise converted into electronic form, ~~€The reliability of information that has been converted, copied or otherwise modified from its original form~~ which depends on the controls over the conversion and maintenance of that information ~~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.

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?*

We do not believe that PCAOB standards should require internal controls over information produced by the company and external information maintained by the company in its information systems in electronic form to be effective for such information to be considered reliable audit evidence. In certain circumstances, internal controls over such information may not be effective or may be outside the scope of the company's internal controls over financial reporting (in accordance with the Sarbanes-Oxley Act (SOX) Section 404) but the auditor may still be able to conclude that the information is reliable based on the performance of other audit procedures, such as directly testing the completeness and accuracy of the information.

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

Our feedback on terminology has been included in our responses to questions 4, 9, and 10.

20. *Are any of the alternative approaches, or any other approaches, preferable to the approaches that are being proposed to address audit procedures that involve technology-assisted analysis? If so, what are they and what reasons support one or more alternative approaches over the proposed approaches?*

As we describe in our introductory remarks, we encourage the Board to potentially think broader about technology, the audit, and audit quality. We believe that there is a future opportunity for the PCAOB standards to focus on the sufficiency and appropriateness of audit evidence obtained from audit procedures rather than the classification of audit procedures. As technology-assisted analysis evolves over time, it may continue to become more difficult to fit new analyses into specific classifications.



23. How much time following SEC approval would audit firms need to implement the proposed requirements?

In establishing the effective date, it is important for the PCAOB to take a holistic view of all new and revised PCAOB auditing standards that will become effective in the coming years. We especially believe the multitude of changing standards will significantly impact smaller firms, who will need ample time to evaluate and implement new standards. In addition, firms of all sizes will need time to evaluate and implement changes to firm methodologies, training, and tools.

It is also important for the PCAOB to consider that the new requirements of this proposal could indirectly impact issuers, especially if they need to implement or formalize controls or processes around external information (based on the requirements in AS 1105.10A). As a result, if the requirements in AS 1105.10A remain as proposed, we recommend that an additional year of implementation time after the year of approval by the SEC may be needed.

24. Would requiring compliance for fiscal years beginning after the year of SEC approval present challenges for auditors? If so, what are those challenges, and how should they be addressed?

We believe that requiring compliance for fiscal years beginning after the year of SEC approval may present challenges for auditors. Updating training and firm methodology will take time not just for this proposal but for what is anticipated to be many new or amended auditing standards in the near or medium term. As such, assuming SEC approval occurs during 2024, we recommend the final standard be effective no earlier than for audits with fiscal years beginning on or after December 15, 2025.

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The CAQ appreciates the opportunity to comment on the technology-assisted analysis proposal, and we look forward to future engagement. As the Board gathers feedback from other interested parties, we would be pleased to discuss our comments or answer questions from the Board regarding the views expressed in this letter. Please address questions to Vanessa Teitelbaum (vteitelbaum@thecaq.org) or Erin Cromwell (ecromwell@thecaq.org).

Sincerely,



Vanessa Teitelbaum, CPA
Senior Director, Professional Practice
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cc:

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