

August 25, 2023

PCAOB
Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Email: comments@pcaobus.org

RE: Request for Comments on PCAOB Rulemaking Docket Matter No. 052 - *Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form* (Release No. 2023-004)

PCAOB Board:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs.

The PSC is supportive of the Board's efforts to update auditing standards to more specifically address aspects of designing and performing audit procedures that involve analyzing information in electronic form with technology-based tools (i.e., technology-assisted analysis or data analytics). The PSC generally supports the proposed amendments as a first step in modernizing standards relating to use of technology in the audit process, subject to the following comments.

PCAOB Release No. 2023-004 states that the "proposed amendments are principles-based and therefore are intended to be adaptable to the ever-evolving nature of technology." A principles-based approach to setting auditing standards is generally appropriate to facilitate the application of significant auditor judgement. However, the PSC believes that the proposed amendments do not provide sufficient practical guidance to auditors and should be supplemented with more specific, detailed discussion and examples, like the approach used often by the Financial Accounting Standards Board.

The proposed amendments state that "surveys indicate that some firms are reluctant to implement data analytics in their audit approach due to perceived regulatory risks." The PSC agrees with this conclusion, understanding that many firms will implement data analytics for use in risk assessment, but may avoid using substantive analytical procedures due to lack of regulatory guidance. The proposed amendments also state that "Collectively, the proposed amendments should lead auditors to perceive less risk of non-compliance with PCAOB standards when using the technology-assisted analysis." The PSC does not believe that the proposed amendments, as currently drafted, will fully accomplish that goal.

For example, the proposed amendments emphasize that the relevance of audit evidence depends on the level of disaggregation or detail of information necessary to achieve the objective of an audit procedure, but the proposal does not prescribe an expected level of disaggregation or detail,



as auditor judgment is needed to determine the relevance of the information. The PSC agrees that prescribed levels are not appropriate or practical, but additional guidance is necessary. The proposed amendments could include observations and examples from the Board's inspections of sufficient (or inadequate) determinations of disaggregation levels, which would assist the auditor in making similar judgments.

Additionally, the proposed amendments specify considerations for the auditor's investigation of items that meet criteria established by the auditor when designing or performing substantive procedures on all or part of a population of items but does not prescribe the nature or extent of procedures for investigating the identified items, including the number of items selected for further testing. Again, the PSC agrees prescriptive procedures are unnecessary, but additional guidance is needed.

For example, the PSC understands that, in some instances, when many items are identified, auditors use sampling procedures as part of further investigation. The Board could provide its views on the acceptability of sampling procedures in this circumstance, as well as the Board's observations of acceptable or unacceptable alternative examples of investigating identified items, including examples where the number of items selected for further testing was determined to be inadequate and the basis for that determination.

In summary, the PSC recommends that the Board reexamine the proposed amendments to identify opportunities to provide expanded practical guidance to auditors, which is necessary to accomplish the goal of expanding the auditor's use of technology and data analytics in the audit in a manner consistent with standards issued by the PCAOB.

We appreciate the opportunity to provide feedback on PCAOB Release 2023-004: *Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form*.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey L. Johanns".

Jeffrey L. Johanns, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants