
Staff Guidance – Insights for Auditors

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

October 2025

This guidance was prepared by PCAOB staff to help firms when implementing the new requirements in AS 1105, *Audit Evidence*, related to evaluating the reliability of external information provided by the company in electronic form that were adopted as part of PCAOB Release No. 2024-007, *Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form* (June 12, 2024). This staff guidance document sets forth the staff's views on issues related to the implementation of the rules and standards of the PCAOB. It does not constitute rules of the Board, nor has it been approved by the Board.

As part of the adoption of *Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form*,¹ the Board amended AS 1105, *Audit Evidence*, to include paragraph .10A, which addresses auditor responsibilities for evaluating the reliability of external information provided by the company in electronic form. The Board also issued a policy statement regarding the application of paragraph .10A.²

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.

Paragraph .10A does not prescribe the nature, timing, or extent of procedures. Instead, as discussed in the adopting release, the requirements are principles-based and scalable, and therefore intended to be adaptable to the evolving nature of technology. In addition, the results of audit procedures performed to address the auditor's responsibilities under other provisions of PCAOB auditing standards may also address the requirements of paragraph .10A.

This staff publication provides examples of the implementation of AS 1105.10A. The examples should be read in conjunction with the new requirements, the adopting release, and the related Board policy statement. The examples are meant to illustrate the application of the requirements of paragraph .10A and are not intended to describe all considerations that are relevant for a particular audit.³ Auditors will need to consider the facts and circumstances of their individual audit engagements when determining the nature, timing, and extent of procedures necessary to comply with the new requirements. Further, the examples are not intended to describe all of the audit procedures an auditor may perform to respond to assessed risks of material misstatement related to a significant account or disclosure. Rather, they are focused on illustrating how an auditor may comply with paragraph .10A.

Each of the examples presented below describes the auditor's procedures to obtain an understanding of the company's process under AS 1105.10A(a). In some scenarios, the objective of AS 1105.10A(a) may be achieved through procedures the auditor has already performed under other PCAOB standards. Such procedures include, for example, the procedures the auditor performed under paragraphs .18-.20 and .28 of AS 2110, *Identifying and Assessing Risks of Material Misstatement*, to

¹ PCAOB Rel. No. 2024-007 (June 12, 2024) ("adopting release").

² *Policy Statement Regarding Implementation of Paragraph .10A of AS 1105, Audit Evidence*, PCAOB Rel. No. 2025-004 (September 18, 2025).

³ For example, this guidance does not address other applicable provisions of AS 1105.

obtain a sufficient understanding of each component of internal control over financial reporting (“ICFR”), and the company’s procedures by which certain transactions are initiated, authorized, processed, recorded, and reported.

The examples further describe the auditor’s procedures under AS 1105.10A(b) and illustrate different approaches to the testing requirements for a range of scenarios.

Example 1 - No More Than a Remote Possibility That the External Electronic Information Provided by the Company Has Been Modified in a Way That Would Render it Unreliable for Purposes of the Audit

Highlights of the Auditor’s Risk Assessment and Planned Audit Response

The auditor is testing the occurrence and allocation of certain of the company’s operating expenses. The risk of material misstatement for these assertions has been assessed by the auditor as “lower.” The auditor determines that the operating expenses being tested are composed of a large number of individual transactions with many vendors, none of whom are related parties. Each transaction represents a small fraction of the total operating expenses for the year and can be matched to the vendor invoice.

The auditor plans to perform substantive procedures to respond to the assessed risks. The auditor receives the listing of recorded operating expenses and selects individual expenses for testing. For each selection, the auditor obtains from the company the related electronic vendor invoice.

External Electronic Information Provided by the Company Used as Audit Evidence

Electronic vendor invoices (PDF format).

Auditor’s Understanding of the Source of the Information and the Related Company Processes

The auditor obtains the following understanding of how operating expenses are recorded by the company and how relevant electronic information is received and maintained, and whether the information is processed by the company: In each case, the external source of electronic information that the auditor uses as audit evidence is the vendor; the original source document received by the company is the electronic vendor invoice in PDF format. Vendors send invoices to the company electronically; the company uploads them into its internal repository. The company does not process or otherwise modify the invoices; they are maintained as received.

Outline of the Auditor’s Evaluation of Reliability of the External Electronic Information Provided by the Company

In order to determine the extent of procedures necessary to comply with AS 1105.10A(b), the auditor considers the assessed risks of material misstatement, the relative importance of the information and the results of certain audit procedures, including those performed under AS 1105.10A(a). The auditor assesses the risk of material misstatement as lower, determines the relative importance of each individual electronic vendor invoice to the auditor’s planned response for the relevant assertions as less important, and understands that the company’s process for recording operating expenses and maintaining the invoices is not complex and does not involve modification. In this scenario, the auditor concludes that there is no more than a remote⁴ possibility that the electronic vendor invoices could be

⁴ For purposes of this example, the term “remote” is intended to have the same meaning as defined in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), Topic 450, *Contingencies*, section 20-20.

modified in a way that would render them unreliable for purposes of the audit. Based on application of the Board policy statement, PCAOB staff will not recommend that the Board, through its inspection or enforcement processes, treat the absence of any separate testing specified in AS 1105.10A(b) as noncompliance with PCAOB auditing standards.

Example 2 - Testing is Necessary under AS 1105.10A(b)

Highlights of the Auditor’s Risk Assessment and Planned Audit Response

The auditor is testing the occurrence of the company’s revenue in a financial statement audit. The risk of material misstatement for this assertion has been assessed by the auditor as “moderate,” and no fraud risks have been identified.

The auditor plans to perform substantive procedures that include comparing the listing of recorded revenue amounts to cash receipts (e.g., customer payments). The company provides the auditor with electronic cash receipts information that it obtained through an automated feed from the bank. Using technology-assisted analysis, the auditor compares all settled revenue transactions to the cash receipts information provided.

External Electronic Information Provided by the Company Used as Audit Evidence

Electronic cash receipts information.

Auditor’s Understanding of the Source of the Information and the Related Company Processes

The auditor obtains the following understanding of how revenue transactions are recorded by the company and how relevant electronic information is received and maintained, and whether the information is processed by the company: For payments made by customers, the company receives the cash receipts information daily through an automated feed with the bank. The automated feed is converted into a format that can be recorded within the company’s ERP system, where the information is then maintained. The company also receives monthly bank statements electronically through the company’s online banking portal.

Outline of the Auditor’s Evaluation of Reliability of the External Electronic Information Provided by the Company

Since the cash receipts information included in the automated feed is processed in the company’s ERP system, and the auditor’s substantive procedures (described above) do not address the reliability of the information, the auditor concludes that testing the cash receipts information is necessary under AS 1105.10A(b). Under AS 1105.10A(b), the auditor can elect to either test the information to determine whether it has been modified by the company and evaluate the effect of those modifications, or test controls over receiving, maintaining, and processing the information (including automated information technology general controls (“ITGCs”) and automated application controls). The auditor may also determine that a combination of procedures would address the reliability of the information.

Scenario A Testing the Information: To test the electronic cash receipts information under AS 1105.10A(b), the auditor compares a selection of cash receipts to the corresponding electronic bank statement. In this scenario, the auditor has already evaluated the reliability of the electronic bank statements in accordance with AS 1105.10A as part of performing procedures to audit cash and determined that they constitute reliable audit evidence for purposes of the audit. The auditor finds no difference between the individual cash receipts selected and the bank statements. In this scenario, the auditor concludes that the electronic cash receipts information is reliable for purposes of the audit.

Scenario B Testing Controls: Alternatively, under AS 1105.10A(b), the auditor may test controls. In this scenario, the company's internal controls over financial reporting including ITGCs and automated application controls address how the company receives, processes, and maintains the cash receipts information from the bank's automated feed. The auditor tests these controls and concludes that they are effective, which enables the auditor to conclude that the electronic cash receipts information is reliable for purposes of the audit.⁵

Example 3 – Substantive Procedures Address the Objective of AS 1105.10A(b)

Highlights of the Auditor's Risk Assessment and Planned Audit Response

The auditor is testing the allocation of income tax expense in a financial statement audit. The risk of material misstatement for this assertion has been assessed by the auditor as "lower."

The auditor plans to perform substantive procedures that involve recalculating the company's income tax expense for each of the in-scope jurisdictions the company operates in. The auditor has not elected to test internal controls over the income tax rate information.

External Electronic Information Provided by the Company Used as Audit Evidence

The auditor uses as audit evidence an electronic file provided by the company containing the statutory income tax rates for all the jurisdictions the company operates in.

Auditor's Understanding of the Source of the Information and the Related Company Processes

The auditor obtains the following understanding of how the company calculates and records income taxes and how relevant electronic information is received and maintained, and whether the information is processed by the company: On a quarterly basis, the company's income tax manager downloads the enacted statutory tax rates received from each jurisdiction. The statutory tax rates are manually input and maintained in the company's income tax information system. The company extracts the statutory tax rates from the tax information system into the electronic file provided to the auditor.

Outline of the Auditor's Evaluation of Reliability of the External Electronic Information Provided by the Company

As part of the auditor's substantive procedures, the auditor compares the statutory tax rates in the electronic file provided by the company to the statutory tax rates published on the respective taxing authorities' websites. In this scenario, the auditor's substantive procedures, in addition to being part of the response to the assessed risk, also addresses the reliability of the statutory income tax rate information. Therefore, the auditor can demonstrate that the objective of AS 1105.10A(b) has been achieved and no additional testing is necessary.

⁵ In an integrated audit, the auditor may be able to rely on the procedures performed to audit ICFR, depending on whether the objective of AS 1105.10A(b) is achieved.