

Targeted Standards in the ISA 500 Series – Issues Paper – External Confirmations

This Agenda Item sets out the project team's views and recommendations addressing all topics on audit evidence related to external confirmations in ISA 505¹ included in the [project proposal](#).

Matters Addressed in this Agenda Item

1. This paper sets out the following:
 - (a) **Part A:** Implications of using technology and third-party intermediaries in external confirmations.*
 - (b) **Part B:** Negative confirmations.#
 - (c) **Part C:** Assertions addressed by external confirmations.*
 - (d) **Part D:** Reliability of responses to external confirmation requests.*
 - (e) **Part E:** Considerations about the need to perform external confirmation procedures.#
 - (f) **Part F:** Non-responses and exceptions in external confirmation procedures.*
 - (g) **Part G:** Professional skepticism – external confirmations.*

Topics marked with a hashtag (#) are topics that the Board discussed in its March 2026 meeting. For these topics, the project team is proposing preliminary drafting for requirements and application material.

Topics marked with an asterisk (*) have not yet been discussed with the Board. In addition to discussing the relevant issues, the project team is also presenting drafting for requirements only (unless otherwise stated).

Part A: Implications of Using Technology and Third-Party Intermediaries in External Confirmations

Background Information

Key Issue

2. ISA 505 does not sufficiently address the use of technology in external confirmation procedures, for example, when using firm-acquired or developed technological tools and third-party intermediaries, including its impact on the auditor's ability to maintain control over external confirmation requests.²

Proposed Actions

3. The project proposal includes standard-setting actions to:
 - (a) Clarify the role of confirming parties and third-party intermediaries in the external confirmation process through a definition or description of such terms.

¹ International Standard on Auditing (ISA) 505, *External Confirmations*

² See [project proposal](#), paragraph 17(g).

- (b) Clarify whether direct access (e.g., through open banking application programming interfaces or bank portals) to information maintained by a knowledgeable external source (e.g., bank, credit institution, or payment processor) constitutes another means of obtaining relevant and reliable audit evidence.
- (c) Determine appropriate revisions to requirements or application material to address implications of using third-party intermediaries in the external confirmation process, including with respect to:
 - (i) Maintaining control over external confirmation requests, by clarifying the auditor's responsibilities regarding the use of intermediaries in the external confirmation process, including when the intermediary has a system and organization controls report.
 - (ii) Evaluating the integrity of external confirmation requests and the reliability of responses received, by reinforcing linkages to the requirement in Proposed ISA 500 (Revised)³ to evaluate the relevance and reliability of information intended to be used as audit evidence.

Current Approach in the IAASB Standards

- 4. Extant ISA 505:
 - (a) Does not include definitions or descriptions of the terms “confirming party” and “intermediary.”
 - (b) Does not address direct access to information maintained by a knowledgeable external source.
 - (c) Does not address implications of using third-party intermediaries in the external confirmation process. However, paragraph 7 of ISA 505 requires the auditor to maintain control over external confirmation requests.

Feedback from Stakeholder Outreach⁴

- 5. The table below summarizes the feedback from stakeholder outreach regarding this topic.

Use of Technology in Performing External Confirmation Procedures

Stakeholders:

- Emphasized that ISA 505 should remain principles-based and be flexible so that requirements apply regardless of the confirmation methods used.
- Observed that ISA 505 does not sufficiently reflect evolving practices, including the increasing use of technology in performing external confirmation procedures. Therefore, they supported updating ISA 505 to reflect technology-enabled confirmation procedures.
- Suggested providing examples of new or changing risks from using technology-enabled means, including third-party intermediaries, in the external confirmation process.

³ See Proposed ISA 500 (Revised), *Audit Evidence*, presented in [Agenda Item 2-C](#) of the June 2026 IAASB meeting.

⁴ Refer to [Agenda Item 11-B](#) of the December 2025 IAASB meeting, [Agenda Item 8](#) of the March 2026 IAASB meeting and **Appendix 2 to Agenda Item 4** for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

Implications of Using Third-Party Intermediaries in the External Confirmation Process

Stakeholders:

- Highlighted the importance of defining the term “intermediary” in the standard.
- Suggested clarifying implications when intermediaries facilitate confirmation requests and responses including that auditors must maintain control over the confirmation process.
- Noted that such intermediaries are generally not considered service organizations under ISA 402.⁵
- Suggested clarifying whether the assessment or certification of digital platforms occurs at the firm or engagement level, noting scalability considerations for smaller firms.
- Highlighted the need to consider the independence, integrity and reliability of third-party platform providers.
- Noted the increasing use of third-party digital confirmation platforms in some jurisdictions (e.g., Germany, the United Kingdom and the United States (US) to obtain external confirmations for balances such as bank, legal and investment confirmations).
- Noted that in some jurisdictions, certain confirming parties respond only through such platforms, while traditional methods (e.g., mail, email, fax) continue to be used elsewhere.

Direct Access to Information Maintained by a Knowledgeable External Source

Stakeholders:

- Suggested clarifying that direct access to information maintained by a knowledgeable external source may provide equally persuasive audit evidence, but is not an external confirmation procedure, particularly when access is provided by management.
- Noted increasing use of mechanisms allowing auditors to directly access third-party information.

Project Team’s Views and Recommendations

6. The project team proposes to address the implications of using technology and third-party intermediaries in external confirmations in Proposed ISA 505 (Revised)⁶ by:
 - (a) Clarifying the role of a confirming party and an intermediary .
 - (b) Addressing implications of using third-party intermediaries, including with respect to:
 - (i) Maintaining control over the external confirmation process.
 - (ii) Clarifying that intermediaries are considered service providers under ISQM 1.⁷
 - (iii) Evaluating the integrity of external confirmation requests and the reliability of responses received.

⁵ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

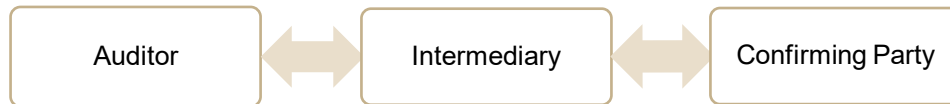
⁶ Proposed ISA 505 (Revised), *External Confirmations*

⁷ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- (c) Clarifying that direct access to information maintained by a knowledgeable external source could in certain circumstances constitute an appropriate means of obtaining relevant and reliable audit evidence.

Clarifying the Role of a Confirming Party and an Intermediary

7. The project team noted that the traditional bilateral model of an external confirmation process between the auditor and the confirming party has evolved into a multi-actor ecosystem, often involving digital platforms and service providers (the intermediary).



8. Therefore, the project team considered whether it is appropriate to add a definition or a description to clarify the roles of a “confirming party” and an “intermediary.” In doing so, the project team considered:
- (a) The guidance included in section 8 of the Complexity, Understandability, Scalability and Proportionality Drafting Principles and Guidelines ([CUSP Drafting Principles and Guidelines](#)), which includes the following key considerations:
 - (i) Only terms that appear in the requirements section of the standard and are fundamental to the understanding of the requirements are defined.
 - (ii) If it relates to a term used only in the application and other explanatory material, the meaning is described there rather than in the definitions section, or cross-referenced back to the ISA where the term is defined.
 - (b) The Public Company Accounting Oversight Board (PCAOB)’s and the American Institute of Certified Public Accountants (AICPA)’s rationale for including a definition of a “confirming party” in their respective standards and the AICPA’s rationale for including a definition of an “intermediary” in its standard.
 - (c) The feedback from stakeholders.
9. The project team recommends defining a “confirming party” and an “intermediary” because doing so would:
- (a) Be consistent with the CUSP Drafting Principles and Guidelines as the terms appear in the requirements section of the standard and are fundamental to the understanding of the requirements.
 - (b) Support how to operationalize the relevant requirements that refer to such terms.
 - (c) Address the feedback from stakeholders highlighting the importance of defining the term “intermediary.”
10. In drafting the definitions of a “confirming party” and an “intermediary” (see paragraph 6 of **Agenda Item 4-D**), the project team leveraged the PCAOB’s and the AICPA’s definitions.

Addressing Implications of Using Third-Party Intermediaries

Maintaining Control Over External Confirmation Requests

11. The project team notes that external confirmations have historically been regarded as a reliable form of audit evidence because they involve direct communication between the auditor and an independent confirming party. A foundational premise underlying this reliability is that the auditor maintains control over the confirmation process, thereby reducing the risk of management interference.
12. The project team notes that the involvement of intermediaries may challenge the traditional notion of “direct communication.” For example, the auditor may identify IT-related risks arising from using digital confirmation platforms provided by third-party intermediaries, such as:
 - (a) Unauthorized access to or modification of confirmation requests or responses.
 - (b) Substitution or spoofing⁸ of confirming parties.
 - (c) Interception, redirection or suppression of communications.
 - (d) Overreliance on system-generated outputs without sufficient understanding of underlying controls.
13. The project team is of the view that clarifying the auditor’s responsibilities in Proposed ISA 505 (Revised) when using intermediaries in the external confirmation process is needed to ensure that the underlying objective of external confirmations is not undermined. Doing so reinforces the auditor’s responsibility to maintain control over external confirmation requests and that the use of an intermediary does not diminish the auditor’s responsibilities. Such responsibilities may include evaluating whether the intermediary’s processes and controls enable the auditor to achieve control in substance, even if not in form.⁹

Clarifying that Intermediaries Are Service Providers Under ISQM 1

14. The project team agrees with stakeholders’ views that intermediaries are generally not considered service organizations under ISA 402 as they are not providing services directly to the entity but to the auditor. As such, the use of intermediaries falls under ISQM 1, which requires firms to establish quality objectives that human, technological or intellectual resources from service providers are appropriate for use in the performance of engagements.¹⁰

Evaluating the Integrity of External Confirmation Requests and the Reliability of Responses Received

15. In considering the implications on the reliability of information obtained from using third-party intermediaries, the project team notes that Proposed ISA 500 (Revised) requires the auditor to

⁸ Spoofing of confirming parties is a phishing technique where attackers impersonate trusted entities, such as banks.

⁹ As part of its information-gathering activities, the project team engaged with a digital confirmation platform provider (the intermediary). The project team’s proposal is informed by this outreach. The digital confirmation platform provider explained that banks impose strict security requirements and may request a report on controls at a service provider that the intermediary is able to share with the auditor.

¹⁰ ISQM 1, paragraph 32(h)

consider the source of information and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures.

16. The project team is of the view that the introduction of intermediaries impacts the source of information and, in turn, impacts the authenticity of responses received. It also impacts the credibility of the source.
17. In determining how to address the implications of using third-party intermediaries in Proposed ISA 505 (Revised), the project team leveraged the approaches used by the PCAOB's and the AICPA's external confirmations standards.

Project Team Recommendations

18. The project team recommends:
 - (a) Adding a requirement for auditors to evaluate the implications on the reliability of confirmation requests and responses when using an intermediary in the external confirmation process. See paragraph 7A of **Agenda Item 4-D** for the proposed drafting.
 - (b) Enhancing application material by clarifying that the auditor or confirming party may engage an intermediary in the external confirmation process and by emphasizing that using an intermediary does not diminish the auditor's responsibility to maintain control over the external confirmation process.
 - (c) Enhancing application material by clarifying that intermediaries are considered service providers under ISQM 1. In addition, the application material can clarify whether the assessment of intermediary's digital platforms occurs at the firm or engagement level and whether such assessment can be made using a report on controls at a service provider.
 - (d) Enhancing application material by providing examples of audit procedures the auditor may perform when evaluating the reliability of external confirmation requests and confirmation responses, such as:
 - (i) Obtaining an understanding of the intermediary's controls that address the risk of interception and alteration of the confirmation requests and responses.
 - (ii) Determining whether the controls used by the intermediary to address the risk of interception and alteration are designed and operating effectively. This may include the auditor's use of a report on controls at a service provider to evaluate the design and operating effectiveness of the intermediary's controls relevant to sending and receiving confirmations.
 - (iii) Considering the credibility of the intermediary, including assessing the relationship of the intermediary with the entity.

Clarifying Direct Access to Information Maintained by a Knowledgeable External Source

19. The project team notes that advancements in technology, particularly the use of open banking application programming interfaces, bank portals and similar digital interfaces are changing how auditors obtain information from knowledgeable external sources.

20. The project team is of the view that direct access to information maintained by a knowledgeable external source may provide the auditor with relevant and reliable information originating from an independent source. In some circumstances, such direct access may provide information that is comparable to, or more reliable than an external confirmation.
21. The project team is of the view that direct access to information is not an external confirmation procedure because it does not involve a direct written response from a third party to a request made by the auditor and therefore represents a distinct means of obtaining audit evidence.

Persuasiveness of Audit Evidence Obtained from Direct Access

22. While both direct access and external confirmation procedures involve obtaining information from external sources, the project team is of the view that external confirmation procedures generally provide more persuasive audit evidence for certain assertions. This is because external confirmation procedures:
 - (a) Provide a direct response to an auditor-initiated request tailored to address specific assertions in accordance with the auditor's planned response to assessed risks; and
 - (b) May address matters beyond recorded data, including terms, conditions, or the absence of undisclosed arrangements.

Project Team Recommendations

23. The project team recommends enhancing application material in Proposed ISA 505 (Revised) by clarifying that direct access to information maintained by a knowledgeable external source could in certain circumstances constitute an appropriate means of obtaining relevant and reliable audit evidence. This will include linking to the evaluation of the relevance and reliability of information in accordance with Proposed ISA 500 (Revised). These enhancements are in addition to the reference to directly accessing information included in the drafting of paragraph A0B of **Agenda Item 4-D** as discussed in paragraph 58(a)).

Other Matters on Maintaining Control Over the External Confirmation Process

24. The project team recommends emphasizing the auditor's responsibility to maintain control over the confirmation process by clarifying that the auditor is responsible for selecting the items to be confirmed, sending the confirmation requests and obtaining the confirmation responses. See paragraphs 7(aa), 7(c), 7(d) and 7(e) of **Agenda Item 4-D** for the proposed drafting. The project team leveraged drafting from the PCAOB's and the AICPA's external confirmations standards.

Matters for IAASB Consideration:

1. The Board is asked for their views on the project team's proposals to:
 - (a) Clarify the role of a confirming party and an intermediary discussed in paragraph 9.
 - (b) Address implications of using third-party intermediaries discussed in paragraph 18.
 - (c) Clarify direct access to information maintained by a knowledgeable external source discussed in paragraph 23.

- (d) Clarify other matters relating to the auditor's responsibility to maintain control over the confirmation process discussed in paragraph 24.

Part B: Negative Confirmations

Previous IAASB Deliberations

25. In March 2026, the Board broadly supported:
- (a) Continuing to allow the use of negative confirmation requests when all specified preconditions are met, and only when performed in combination with other substantive procedures.
 - (b) Retaining the list and construct of the preconditions in accordance with paragraph 15 of ISA 505.
26. The Board also provided directional input to:
- (a) Develop examples illustrating when the use of negative confirmation requests may be appropriate.
 - (b) Provide examples of other substantive procedures that can be performed in combination with negative confirmation requests.

Project Team's Views and Recommendations

Allow the Use of Negative Confirmation Requests Only When Performed in Combination with Other Substantive Procedures

27. The project team recommends enhancing the requirement (see paragraph 7B of **Agenda Item 4-D**) by:
- (a) Continuing to allow the use of negative confirmation requests only when performed "in combination with other substantive procedures" and when all preconditions are met. This change aims to address concerns about auditors placing undue reliance on the absence of responses to negative confirmation requests.
 - (b) Retaining the preconditions and aligning the first precondition (see paragraph 7B(a) of **Agenda Item 4-D**) with the relevant requirements in ISA 315 (Revised 2019) and Proposed ISA 330 (Revised).¹¹ Doing so supports the view that the cumulative impact of these specified preconditions, if appropriately applied, continues to mitigate the inherent limitations of negative confirmation requests to provide persuasive audit evidence.
 - (c) Retaining the essential material in the lead-in to paragraph 15 (i.e., the first sentence) because it is considered critical to the understanding of negative confirmation requests. This approach aligns with section 9.1.13. of the CUSP Drafting Principles and Guidelines explaining that while essential material can be included in the requirements, it should be avoided and included only when considered critical to the understanding of the requirements.
 - (d) Relocating extant paragraph 15 after the requirement addressing the use of an intermediary.

¹¹ See Proposed ISA 330 (Revised), *The Auditor's Responses to Assessed Risks*, presented in [Agenda Item 2-B](#) of the June 2026 IAASB meeting.

This change is intended to improve the logical flow of requirements in the standard.

28. The project team also recommends enhancing the application material (see paragraphs A7B–A7C of **Agenda Item 4-D**) by adding:
- (a) An illustrative example when the use of negative confirmation requests may be appropriate.
 - (b) Examples of other substantive procedures that can be performed in combination with negative confirmation requests.

Matters for IAASB Consideration:

2. The Board is asked for their views on the proposed revisions in paragraphs 7B and A7B–A7C of **Agenda Item 4-D** and as discussed in paragraphs 27 and 28 above.

Part C: Assertions Addressed by External Confirmations

Background Information

Key Issue

29. There is a lack of clarity about whether external confirmation procedures, on their own, may in some circumstances be appropriate or sufficient as audit evidence for all, or for certain, assertions about a class of transactions, account balance or disclosure. Providing clarity about such circumstances would support auditors' professional judgments when designing and performing external confirmation procedures to obtain sufficient appropriate audit evidence.¹²

Proposed Actions

30. The project proposal includes standard-setting actions to enhance requirements or application material to clarify that external confirmation procedures, by themselves, may not provide sufficient appropriate audit evidence for all or certain assertions about a class of transactions, account balance or disclosure. This would also involve considering clarifying the objective of ISA 505 as appropriate.

Current Approach in the IAASB Standards

31. The objective of the auditor in extant ISA 505 is to design and perform external confirmation procedures to obtain relevant and reliable audit evidence. The current standard does not indicate specific assertions for which external confirmation procedures are expected to provide audit evidence.

*Feedback from Stakeholder Outreach*¹³

32. The table below summarizes the feedback from stakeholder outreach regarding this topic.

¹² See [project proposal](#), paragraph 17(i).

¹³ Refer to [Agenda Item 11-B](#) of the December 2025 IAASB meeting, [Agenda Item 8](#) of the March 2026 IAASB meeting and **Appendix 2 to Agenda Item 4** for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

Assertions Addressed by External Confirmation Procedures

- Stakeholders highlighted that external confirmation procedures alone may not provide sufficient appropriate audit evidence for certain assertions (e.g., valuation).
- Stakeholders suggested providing more examples on when external confirmations may provide sufficient appropriate audit evidence regarding certain assertions (e.g., existence).

Project Team's Views and Recommendations

33. The project team notes that external confirmation procedures by themselves may provide relevant and reliable audit evidence for certain assertions but may not provide any audit evidence for other assertions. For example, external confirmations of receivable balances may provide audit evidence about existence and accuracy but not necessarily about the valuation relating to its collectability.
34. Accordingly, the project team recommends enhancing application material by clarifying which assertions may or may not be addressed in certain circumstances by external confirmation procedures. This will improve the auditors' understanding of both the strengths and limitations of external confirmation procedures, and, therefore, will improve consistency in practice.
35. The project team also considered clarifying the objective of the auditor in ISA 505 (leveraging the approaches taken in the PCAOB's and the AICPA's external confirmations standards) by indicating that the audit evidence that the auditor obtains when using external confirmation procedures relates to "one or more relevant assertions." However, on balance, the project team determined that this was unnecessary given that the scope of ISA 505 is sufficiently clear that the standard deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of Proposed ISA 330 (Revised) and Proposed ISA 500 (Revised).

Matters for IAASB Consideration:

3. The Board is asked for their views on the project team's views and proposals to enhance application material in ISA 505 discussed in paragraphs 33–35.

Part D: Reliability of Responses to External Confirmation Requests

Background Information

Key Issue

36. In practice, addressing the reliability of responses to external confirmation requests has become more complex due to several factors, for example, reliance on electronic or automated confirmation systems that may lack sufficient authentication mechanisms, and potential interception or manipulation of confirmation requests or responses.¹⁴
37. Certain stakeholders also cite misalignment with foundational principles addressed by Proposed ISA 500 (Revised) to evaluate the relevance and reliability of information intended to be used as audit evidence, given that ISA 505 sets an obligation to obtain further audit evidence only if the auditor

¹⁴ See [project proposal](#), paragraph 17(j).

identifies factors that give rise to doubts about the reliability of the response to a confirmation request.¹⁵

Proposed Actions

38. The project proposal includes standard-setting action to enhance requirements or application material that apply when addressing the reliability of responses to confirmation requests.

Current Approach in the IAASB Standards

39. ISA 505 paragraphs 10 and 11 address the reliability of responses to confirmation requests:
- (a) If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, paragraph 10 requires the auditor to obtain further audit evidence to resolve those doubts.
 - (b) If the auditor determines that a response to a confirmation request is not reliable, paragraph 11 requires the auditor to evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing and extent of other audit procedures.

Feedback from Stakeholder Outreach¹⁶

40. The table below summarizes the feedback from stakeholder outreach regarding this topic.

Concerns About the Reliability of Responses to External Confirmation Requests

- Stakeholders raised concerns about the reliability of responses to confirmation requests, including concerns about fraud risks due to possible manipulation of confirmation responses that are inadequately considered.
- Stakeholders noted that extant ISA 505 does not explicitly require the auditor to evaluate the reliability of confirmation responses.

Enhancing Auditor's Procedures Around Reliability of Responses

- Stakeholders suggested enhancing the auditor's procedures for resolving doubts about the reliability of responses to confirmation requests, including performing sufficient alternative procedures.

Project Team's Views and Recommendations

41. The project team proposes to enhance requirements and application material in ISA 505 regarding the reliability of responses to confirmation requests by aligning them with relevant requirements in Proposed ISA 500 (Revised)¹⁷ addressing:

¹⁵ See [project proposal](#), paragraph 17(j).

¹⁶ Refer to [Agenda Item 11-B](#) of the December 2025 IAASB meeting, [Agenda Item 8](#) of the March 2026 IAASB meeting and **Appendix 2 to Agenda Item 4** for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

¹⁷ See Proposed ISA 500 (Revised), paragraphs 9, 12(b) and 12A, presented in [Agenda Item 2-C](#) of the June 2026 IAASB meeting.

- (a) The evaluation of the reliability of information intended to be used as audit evidence.
 - (b) Doubts about the reliability of information intended to be used as audit evidence and if the doubts about the reliability of information cannot be resolved.
42. The project team is of the view that enhancements to both the requirements and application material in Proposed ISA 505 (Revised) are also necessary to reinforce the auditor's exercise of professional skepticism when evaluating the reliability of responses to confirmation requests. This is particularly important given the reliance that may be placed on external confirmation procedures as a source of persuasive audit evidence. While such responses are often considered to be of high quality, high-profile corporate failures (e.g., Wirecard and Parmalat) have highlighted that confirmation responses may be unreliable because of fraud. These cases demonstrate that undue reliance on confirmation responses may lead to the failure to detect material misstatements.

Evaluating Reliability of Responses to Confirmation Request

43. Stakeholders noted that ISA 505 may be interpreted as requiring further audit evidence only when doubts arise, rather than requiring a broader, ongoing evaluation of the reliability of information intended to be used as audit evidence in accordance with paragraph 9 of Proposed ISA 500 (Revised). Therefore, the project team recommends enhancing Proposed ISA 505 (Revised) by adding a requirement (see paragraph 9A of **Agenda Item 4-D** for the proposed drafting) that builds on this requirement and by enhancing the application material addressing the selection of confirming parties. The proposed new requirement requires the auditor to consider any information about matters that the auditor becomes aware of that:
- (a) Impairs the credibility of the selected confirming party (see paragraphs 45–46).
 - (b) Indicate that the confirmation request or confirmation response may have been intercepted or altered (see paragraphs 47–48).
44. Such an approach, as applied in part in the PCAOB's external confirmations standard, is based on the rationale that evaluating the reliability of confirmation responses is a critical component of the confirmation process. If indicators of interception or alteration are present, it is important for the auditor to address them.

Consideration of Information that Impairs the Credibility of the Selected Confirming Party

45. The project team notes that there may be circumstances in which the auditor becomes aware of information that calls into question the reputation or authority of the selected confirming party, or their competence or capability. Under the principles of Proposed ISA 500 (Revised), such information may directly affect the reliability of confirmation responses, as the reliability of information intended to be used as audit evidence is influenced by the credibility of its source.
46. Accordingly, the project team recommends to explicitly require the auditor to consider the effect of such information on the reliability of confirmation responses. The project team also notes that, without an explicit requirement, there is a risk that auditors may place undue reliance on initial judgments made when selecting confirming parties and may not sufficiently reconsider those judgments in light of new information obtained during the audit. See paragraph 9A(a) of **Agenda Item 4-D** for the proposed drafting.

Consideration of Indicators of Interceptions or Alterations

47. The project team notes that there may be circumstances in which the auditor becomes aware of information indicating that a confirmation request or response have been intercepted or altered. This risk may arise in both traditional and digital confirmation processes.
48. Accordingly, the project team recommends to explicitly require the auditor to consider information about interceptions or alternations when evaluating the reliability of confirmation responses, rather than just the current requirement in paragraph 10. See paragraph 9A(b) of **Agenda Item 4-D** for the proposed drafting.

Resolving Doubts About the Reliability of Confirmation Responses

49. The project team is of the view that the requirements in extant ISA 505 (paragraphs 10–11) are not sufficiently aligned with broader requirements in Proposed ISA 500 (Revised) (paragraphs 12(b) and 12A).

Enhancements to Paragraph 10

50. The project team is of the view that the requirement to “obtain further audit evidence” in paragraph 10 of ISA 505 could be interpreted too narrowly. In practice, resolving doubts about reliability may require more than simply obtaining additional evidence; it may necessitate modifying the nature, timing or extent of external confirmation procedures themselves, or supplementing them with alternative procedures.
51. Accordingly, the project team recommends to align paragraph 10 of ISA 505 with paragraph 12(b) of Proposed ISA 500 (Revised) such that, if the auditor has doubts about the reliability of a response to a confirmation request, the auditor is required to “determine what modifications to external confirmation procedures, or what other audit procedures, are necessary to resolve those doubts.” By aligning, the project team seeks to emphasize that evaluating the reliability of confirmation responses is not a standalone exercise, but rather part of the broader, iterative process of evaluating the reliability of information intended to be used as audit evidence. See paragraph 10 of **Agenda Item 4-D** for the proposed drafting.

Enhancements to Paragraph 11

52. The project team is of the view that the standard could more clearly articulate the auditor’s responsibilities when doubts about reliability cannot be resolved. This would also address stakeholder views that unresolved doubts about reliability represent a detection risk, in particular, that such doubts may suggest deficiencies in the design or performance of external confirmation procedures, or potential issues with the integrity of the information obtained. They may also indicate a fraud risk factor that requires evaluation in accordance with ISA 240 (Revised).¹⁸
53. The project team recommends to align paragraph 11 of ISA 505 with paragraph 12A of Proposed ISA 500 (Revised), such that, if doubts about the reliability of confirmation responses cannot be resolved, the auditor is required to evaluate the implications on the assessment of the risks of material misstatement. See paragraph 11 of **Agenda Item 4-D** for the proposed drafting.

¹⁸ ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 38

Matters for IAASB Consideration:

4. The Board is asked for their views on the proposed revisions in paragraphs 9A, 10 and 11 of **Agenda Item 4-D** and as discussed in paragraphs 43, 46, 48, 51 and 53 above.

Part E: Considerations About the Need to Perform External Confirmation Procedures

Previous IAASB Deliberations

54. In March 2026, the Board broadly supported requiring auditors to consider whether to perform external confirmation procedures for certain account balances, including that it:
 - (a) Covers cash and cash equivalents held by third parties, and accounts receivable;
 - (b) Applies when the assessment of risks of material misstatement for relevant assertions of those account balances is not on the lower end of the spectrum of inherent risk;
 - (c) Not include exceptions to the requirement; and
 - (d) Applies to all audits of financial statements.
55. The Board also provided directional input to:
 - (a) Address in Proposed ISA 505 (Revised) the use of direct access to information as an alternative means of obtaining relevant and reliable audit evidence.
 - (b) Prioritize determining appropriate revisions to address this key issue as further insights obtained throughout the course of the project may indicate that it can be better addressed through revisions in Proposed ISA 330 (Revised) than in Proposed ISA 505 (Revised).

Project Team's Views and Recommendations

Determining Whether to Perform External Confirmation Procedures for Certain Account Balances

56. The project team recommends adding a requirement in Proposed ISA 505 (Revised), that builds on the requirement in paragraph 19 of Proposed ISA 330 (Revised), for auditors to determine whether to perform external confirmation procedures for cash and cash equivalents held by third parties and accounts receivable. The proposed requirement would apply to all audits of financial statements where the risk of material misstatement for relevant assertions of those account balances and disclosures is not on the lower end of the spectrum of inherent risk. See paragraph 6A of **Agenda Item 4-D** for the proposed drafting.
57. The project team is of the view that the new requirement is better placed in Proposed ISA 505 (Revised) than in Proposed ISA 330 (Revised), for the following reasons:
 - (a) *Coherence*. Placing the new requirement in Proposed ISA 505 (Revised) avoids adding a requirement in Proposed ISA 330 (Revised) that would be deemed too granular given the foundational nature of the risk response standard. The project team notes that the work effort in Proposed ISA 505 (Revised) to determine whether to perform external confirmation

procedures for certain account balances may give rise to a need to also change the work effort in paragraph 19 of Proposed ISA 330 (Revised) from a consideration to a determination.

- (b) *Convergence with relevant jurisdictional developments.* The project team notes that placing the new requirement in Proposed ISA 505 (Revised) would be consistent with the approach used in the PCAOB's and the AICPA's external confirmations standards.

58. In addition, the project team considered:

- (a) The approaches used by the PCAOB and the AICPA for addressing direct access to information maintained by a knowledgeable external source. The project team is of the view that direct access is an alternative procedure to performing external confirmation procedures (see also discussions in paragraphs 19–23 in **Part A** and the proposed enhancements to application material in paragraph A0B of **Agenda Item 4-D**).
- (b) Whether there is a need for a specific documentation requirement for the basis of the auditor's determination whether to perform external confirmation procedures for cash and cash equivalents held by third parties and accounts receivable. The project team recommends not to add a specific documentation requirement as it is of the view that the general documentation requirements in ISA 230¹⁹ are sufficient.

59. The project team also recommends developing application material (see paragraphs A0A–A0C of **Agenda Item 4-D**) that:

- (a) Links to relevant guidance addressing the use of external confirmation procedures in paragraph A50 of Proposed ISA 330 (Revised) and Appendix 1 of Proposed ISA 500 (Revised).
- (b) Clarifies circumstances when the auditor may conclude not to use external confirmation procedures as substantive procedures to address risks of material misstatement for cash and cash equivalents held by third parties and accounts receivable.
- (c) Clarifies that the performance of other further audit procedures (in addition to the use of external confirmation procedures) for cash and accounts receivable may be necessary to reduce the audit risk to an acceptably low level.

Matters for IAASB Consideration:

- 5. The Board is asked for their views on the proposed revisions in paragraphs 6A and A0A–A0C of **Agenda Item 4-D** and as discussed in paragraphs 56–59 above.

Part F: Non-Responses and Exceptions in External Confirmation Procedures

Background Information

Key Issue

60. There are identified recurring challenges in how auditors address non-responses and exceptions in external confirmation procedures, including:
- (a) The sufficiency and appropriateness of alternative procedures performed when non-responses

¹⁹ ISA 230, *Audit Documentation*

occur.

- (b) Inadequate investigation into whether exceptions identified may indicate misstatements.
- (c) Insufficient evaluation of how identified misstatements affect the assessed risks of material misstatement, including implications for the effectiveness of internal controls.²⁰

Proposed Actions

61. The project proposal includes standard-setting actions to enhance requirements or application material that apply when addressing non-responses and exceptions resulting from external confirmation procedures.

Current Approach in the IAASB Standards

62. Extant ISA 505:
- (a) Defines the term “non-response” as a failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered (paragraph 6(d));
 - (b) Defines the term “exception” as a response that indicates a difference between information requested to be confirmed, or contained in the entity’s records, and information provided by the confirming party (paragraph 6(e));
 - (c) Requires auditors, in case of each non-response, to perform alternative audit procedures to obtain relevant and reliable audit evidence (paragraph 12); and
 - (d) Requires auditors to investigate the exceptions to determine whether they are indicative of misstatements (paragraph 14).

Feedback from Stakeholder Outreach²¹

63. The table below summarizes the feedback from stakeholder outreach regarding this topic.

Addressing Non-Responses and Exceptions

- Stakeholders highlighted the need for strengthening audit procedures addressing:
 - Non-responses, including incomplete or partial responses;
 - The investigation of whether exceptions are indicative of misstatements; and
 - The evaluation of the impact of misstatements identified on assessed risks of material misstatement, including on internal controls.
- Stakeholders raised concerns about inappropriately replacing non-responses with new external confirmation requests and failing to investigate exceptions of whether they indicate misstatements.

²⁰ See [project proposal](#), paragraph 17(l).

²¹ Refer to [Agenda Item 11-B](#) of the December 2025 IAASB meeting, [Agenda Item 8](#) of the March 2026 IAASB meeting and **Appendix 2 to Agenda Item 4** for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

- Stakeholders noted frequent difficulties in obtaining responses to external confirmation requests, particularly from banks. They suggested further guidance on what alternative procedures could be performed when no response to an external confirmation request is received.

Project Team's Views and Recommendations

64. The project team:

- (a) Considered clarifying whether incomplete or partial responses are considered non-responses.
- (b) Proposes to address exceptions by expanding the auditor's investigation to determine whether they are indicative of misstatements and, if so, whether such misstatements are indicative of fraud, or whether exceptions are indicative of deficiencies in the entity's system of internal control.

Addressing Non-Responses

65. The project team considered clarifying whether incomplete or partial confirmation responses are treated as non-responses under the current definition. The project team also considered whether the definition of a non-response could be expanded to include other situations (in addition to a confirmation request returned undelivered) that may be considered as non-responses, such as when:

- (a) The auditor does not receive a confirmation response to a positive confirmation request directly from the intended confirming party;
- (b) The auditor receives correspondence from the intended confirming party indicating that the confirming party is unable or unwilling to respond to the confirmation request; or
- (c) The auditor receives an oral response only.

66. The project team does not recommend revisions in Proposed ISA 505 (Revised) as:

- (a) Partial confirmation responses should be treated as non-responses based on the current definition of a non-response (i.e., a failure to fully respond); and
- (b) No changes are needed to the current definition of a non-response and application material as the situation described in:
 - (i) Paragraph 65(a) is already covered by enhancements in paragraph 7(e) of Proposed ISA 505 (Revised).
 - (ii) Paragraph 65(b) is sufficiently clear that this is non-response as defined in paragraph 6(d) of Proposed ISA 505 (Revised).
 - (iii) Paragraph 65(c) would also be considered a non-response because an "external confirmation" as defined in paragraph 6(a) of Proposed ISA 505 (Revised) would need to be a "written response."

Developing Considerations When Designing and Performing Alternative Audit procedures

67. The project team is of the view that alternative audit procedures need to be designed and performed to obtain audit evidence that addresses the same relevant assertion(s) and achieves a similar level of persuasiveness as the external confirmation procedures originally intended. Simply performing

different audit procedures without regard to their ability to meet the intended purpose of the external confirmation procedures may not result in relevant and reliable audit evidence.

68. The project team recommends:

- (a) Enhancing the requirement addressing non-responses (see paragraph 12 of **Agenda Item 4-D**) by clarifying that in the case of each non-response, the auditor is required to perform alternative procedures “for the selected item.” This is intended to respond to concerns from stakeholders about auditors inappropriately replacing non-responses with new external confirmation requests.
- (b) Enhancing the application material by emphasizing that the auditor needs to perform alternative audit procedures that provide relevant and reliable audit evidence for the assertions addressed by the external confirmation procedures and that the auditor may determine that a combination of alternative audit procedures is necessary to obtain relevant and reliable audit evidence.
- (c) Enhancing the application material by highlighting factors that may affect the nature, timing and extent of alternative audit procedures, such as:
 - (i) The assessed risks of material misstatement at the assertion level.
 - (ii) The nature of the class of transactions, account balance or disclosure.
 - (iii) The results of other audit procedures performed that address the same assertion(s).

Addressing Exceptions

69. The project team considered stakeholders’ feedback indicating that auditors may focus primarily on whether exceptions identified through external confirmations represent misstatements, without sufficiently considering whether such exceptions could have broader audit implications. These may include whether the misstatements are indicative of fraud or whether exceptions are indicative of deficiencies in the entity’s system of internal control.

70. The project team recommends:

- (a) Expanding the current requirement in paragraph 14 of ISA 505 (see **Agenda Item 4-D** for the proposed drafting) by explicitly highlighting that:
 - (i) A misstatement resulting from an exception may also be indicative of fraud; or
 - (ii) Exceptions may also be indicative of deficiencies in the entity’s system of internal control.
- (b) Enhancing application material by reinforcing linkages to relevant requirements in:
 - (i) ISA 240 (Revised), which includes work effort requirements when the auditor identifies fraud or suspected fraud.
 - (ii) ISA 315 (Revised 2019), which requires auditors to determine whether one or more control deficiencies have been identified.

- (iii) ISA 450,²² which requires auditors to evaluate whether an identified misstatement is indicative of fraud.

Matters for IAASB Consideration:

6. The Board is asked for their views on the project team's proposals addressing non-responses (as discussed in paragraphs 65–68) and exceptions (as discussed in paragraphs 69–70).

Part G: Professional Skepticism – External Confirmations

Background Information

Key Issue

71. Given the issues that have been highlighted in **Parts A to F**, including the impact of technology and other areas of modernization, there is a need to emphasize the exercise of professional skepticism when designing and performing external confirmation procedures.²³

Proposed Actions

72. The project proposal includes standard-setting actions to enhance requirements or application material, to reinforce the exercise of professional skepticism when obtaining and evaluating audit evidence from external confirmation procedures (e.g., with respect to the reliability of responses to confirmation requests and evaluating the evidence obtained in ISA 505), including by taking into account how the concept of professional skepticism has been reinforced in recently revised ISAs.

Current Approach in the IAASB Standards

73. ISA 505, paragraphs 10–11, include requirements addressing the reliability of responses to confirmation requests.
74. ISA 505, paragraph 16, requires the auditor to evaluate whether the results of the external confirmation procedures provide relevant and reliable audit evidence or whether further audit evidence is necessary.

Feedback from Stakeholder Outreach²⁴

75. The table below summarizes the feedback from stakeholder outreach regarding this topic.

²² ISA 450, *Evaluation of Misstatements Identified During the Audit*

²³ See [project proposal](#), paragraph 17(m).

²⁴ Refer to [Agenda Item 11-B](#) of the December 2025 IAASB meeting, [Agenda Item 8](#) of the March 2026 IAASB meeting and **Appendix 2 to Agenda Item 4** for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

Exercising Professional Skepticism When Performing External Confirmation Procedures

- Stakeholders emphasized the importance of exercising professional skepticism in ISA 505.
- Stakeholders raised concerns about the lack of professional skepticism when evaluating the reliability of responses to confirmation requests (e.g., mismatches in email domains between respondents and the entity's websites were not investigated further in certain cases).
- Stakeholders emphasized the need to maintain professional skepticism when evaluating the reliability of responses to confirmation requests.

Project Team's Views and Recommendations

76. The project team recommends not adding a separate requirement addressing professional skepticism in Proposed ISA 505 (Revised) as the proposals addressing the reliability of responses to confirmation requests discussed in **Part D** sufficiently reinforce the appropriate exercise of professional skepticism by requiring auditors (in applying Proposed ISA 500 (Revised)) to:
- (a) Evaluate the reliability of confirmation responses in all cases, not only when doubts arise (see paragraph 43). This is intended to embed a questioning mindset regarding the reliability of responses.
 - (b) Consider information that impairs the credibility of the selected confirming party as well as indications of interceptions or alterations (see paragraphs 45–48). This reinforces professional skepticism by being alert to such information.
 - (c) Determine what modifications to external confirmation procedures, or what other audit procedures, are necessary to resolve doubts about the reliability of confirmation responses (see paragraphs 50–51). Such determination requires the critical assessment of audit evidence, which is a core element of professional skepticism.
 - (d) Evaluate the implications of unresolved doubts on the risk assessment and other audit procedures (see paragraphs 52–53). This reinforces that the exercise of professional skepticism is an iterative process.

The Need for a Stand-Back Requirement

77. The project team notes that paragraph 16 of ISA 505 is a subject matter-specific stand-back requirement. This means that it addresses a specific consideration while being interconnected to the core stand-back requirement in Proposed ISA 330 (Revised),²⁵ which requires the auditor to evaluate whether the audit evidence obtained from further audit procedures is sufficient and appropriate in responding to the assessed risks of material misstatement.
78. The project team notes that the Audit Evidence and Risk Response project undertook an analysis of a stand-back requirement.²⁶ The analysis explains the nature and characteristics of a “stand-back”

²⁵ See Proposed ISA 330 (Revised), paragraph 25A, presented in [Agenda Item 2-B](#) of the June 2026 IAASB meeting.

²⁶ For more details on the Board's deliberations regarding the analysis of stand-back requirements across the suite of ISAs as part of the Audit Evidence and Risk Response project, refer to [Agenda Item 7](#), [Agenda Item 4](#) and [Agenda Item 5J](#) of the March, June and December 2025 IAASB meetings, respectively.

and outlines an approach for integrating stand-back requirements across the ISAs. The analysis also identifies three circumstances in which a subject matter-specific stand-back requirement may be appropriate (this list is not exhaustive or mutually exclusive):

- (a) More complex areas of the audit.
- (b) Special or specific considerations that warrant separate attention.
- (c) Matters that are pervasive to the financial statements as a whole.

79. In light of the insights obtained from the analysis of stand-back requirements as well as approaches adopted by jurisdictional standard setters, the project team considered whether there is a need to:

- (a) Remove the separate stand-back requirement in Proposed ISA 505 (Revised). This approach supports the view that the results of external confirmation procedures performed in accordance with extant ISA 505 would already be covered by the stand-back requirement in paragraph 25A of Proposed ISA 330 (Revised). However, this approach may also be perceived as resulting in a less rigorous standard than extant ISA 505.
- (b) Retain the separate stand-back requirement in Proposed ISA 505 (Revised). This approach supports the view that a stand-back requirement is warranted because of the specific considerations relating to external confirmations addressed in ISA 505, especially given the high-profile corporate failures linked to external confirmations. In addition, the project team notes that the objective of the auditor in ISA 505 and the stand-back requirement in paragraph 16 are closely linked given that the stand-back requirement provides a mechanism for evaluating whether the objective of the standard has been achieved. However, this approach may be perceived as a 'piecemeal' stand-back and could give rise to a duplication of work effort (actual or perceived) in Proposed ISA 330 (Revised).

80. If the stand-back is retained, it would build on, and be aligned with the stand-back requirement introduced in Proposed ISA 330 (Revised) (paragraph 25A). Enhancements could also leverage the approach taken in the PCAOB's external confirmations standard, which clarifies that, in performing the evaluation, the auditor is required to consider all audit evidence obtained from external confirmation procedures (or alternative audit procedures) performed in accordance with Proposed ISA 505 (Revised) and other further audit procedures performed in accordance with Proposed ISA 330 (Revised), to determine whether sufficient appropriate audit evidence has been obtained about the relevant assertions.

Matters for IAASB Consideration:

7. The Board is asked for their views on:

- (a) The project team's views based on the proposals in **Part D** addressing professional skepticism in Proposed ISA 505 (Revised) discussed in paragraph 76.
- (b) Whether there is a need to remove, or retain and enhance, the stand-back requirement in Proposed ISA 505 (Revised) discussed in paragraphs 77–80.