

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

This Agenda Item includes a draft of Proposed ISA 505 (Revised). This Agenda Item is marked from the requirements and application material included in Agenda Item 4-D of the June 2026 IAASB meeting or from extant ISA 505 for the application material not already covered in Agenda Item 4-D.

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of [Proposed ISA 330 \(Revised\)](#)¹ and [Proposed ISA 500 \(Revised\)](#).² It does not address inquiries regarding litigation and claims, which are dealt with in [Proposed ISA 501 \(Revised\)](#).³

External Confirmation Procedures to Obtain Audit Evidence

2. [Proposed ISA 500 \(Revised\)](#) indicates that the ~~appropriateness~~[reliability](#) of audit evidence ~~refers to the quality of audit evidence which, among other matters, depends on the relevance and reliability of the information intended to be used as audit evidence.~~⁴ In evaluating the relevance and reliability of information intended to be used as audit evidence, the auditor considers the source of the information and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures.⁵ Information that is more relevant and reliable ordinarily is of a higher quality and, therefore, may provide higher quality audit evidence that is more persuasive~~is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.~~^{6,7}

- ~~Audit evidence is more reliable when it is obtained from independent sources outside the entity.~~
- ~~Audit evidence obtained directly by the auditor is more reliable than audit evidence obtained indirectly or by inference.~~
- ~~Audit evidence is more reliable when it exists in documentary form, whether paper, electronic or other medium.~~

Accordingly, depending on the circumstances of the audit, audit evidence in the form of external confirmations received ~~directly~~ by the auditor from confirming parties, ~~directly or through an intermediary,~~ may be more ~~persuasive~~[reliable](#) than evidence generated internally by the entity. ~~This ISA is intended to assist the auditor in designing and performing external confirmation procedures to obtain relevant and reliable audit evidence.~~

¹ [Proposed ISA 330 \(Revised\)](#), *The Auditor's Responses to Assessed Risks*

² [Proposed ISA 500 \(Revised\)](#), *Audit Evidence*

³ [Proposed ISA 501 \(Revised\)](#), *Audit Evidence—Specific Considerations for Selected Items*

⁴ [Proposed ISA 500 \(Revised\)](#), paragraph A8

⁵ [Proposed ISA 500 \(Revised\)](#), paragraph 11

⁶ ~~ISA 500, paragraph A9~~

⁷ [Proposed ISA 500 \(Revised\)](#), paragraph A10-A12

3. Other ISAs recognize the importance of external confirmations as audit evidence, for example:

- Proposed ISA 330 (Revised) requires discusses the auditor's responsibility to design and implement overall responses to address the assessed risks of material misstatement at the financial statement level, and to design and perform further audit procedures whose nature, timing and extent are based on, and are responsive to, the assessed risks of material misstatement at the assertion.⁸ In addition, ISA 330 requires that, irrespective of the assessed risks of material misstatement, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure. The auditor is also required to consider whether to perform external confirmation procedures when designing are to be performed as substantive audit procedures.⁹ and, in certain circumstances, to make a determination about the need for external confirmation procedures in relation to cash and cash equivalent balances –held by third parties-.¹⁰
- ISA 330 requires that the auditor obtain more persuasive audit evidence the higher the auditor's assessment of risk.¹¹ To do this, the auditor may increase the quantity of the evidence or obtain evidence that is more relevant or reliable, or both. For example, the auditor may place more emphasis on obtaining evidence directly from third parties or obtaining corroborating evidence from a number of independent sources. Proposed ISA 330 (Revised) also indicates that audit evidence in the form of external confirmations received directly by the auditor from appropriate confirming parties external confirmation procedures may assist the auditor in obtaining audit persuasive audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error.¹²
 - ISA 240 (Revised) indicates that the auditor may design external confirmation procedures to obtain audit evidence as a response to address the assessed risks of material misstatement due to fraud at the assertion level.¹³
 - Proposed ISA 500 (Revised) indicates that corroborating information obtained from a source independent of the entity, such as inspection or external confirmation procedures, may provide more persuasive audit evidence than inquiry increase the assurance the auditor obtains from evidence existing within the accounting records or from representations made by management.¹⁴

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 200920XX.

⁸ ISA 330, paragraphs 5–6

⁹ Proposed ISA 330 (Revised), paragraphs 48–4911

¹⁰ Proposed ISA 330 (Revised), paragraphs 11A

¹¹ ISA 330, paragraph 7(b)

¹² Proposed ISA 330 (Revised), paragraph A55A33

¹³ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph A130–A134

¹⁴ Proposed ISA 500, paragraphs A12–A13A12

Objective

5. The objective of the auditor, when using external confirmation procedures, is to design and perform such procedures to obtain relevant and reliable audit evidence.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
- (aA) Confirming party – A third party, whether an individual or an organization, to which the auditor sends an external confirmation request directly or through an intermediary. ~~An intermediary is not a confirming party.~~
 - (aB) Exception – 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.
 - (a) External confirmation – Audit evidence obtained as a ~~direct~~ written response to the auditor from ~~a third party (the confirming party), directly or through an intermediary in paper form, or by digital or other medium.~~
 - (aC) External confirmation procedures – A type of audit procedure that is designed and performed as a substantive procedure to obtain relevant and reliable audit evidence about one or more assertions from a confirming party, directly or through an intermediary, in the form of an external confirmation.
 - (aD) Intermediary – A service provider ~~party, other than the auditor or the confirming party,~~ who facilitates digital external confirmation requests and responses between the auditor and the confirming party. An intermediary is not a confirming party.
 - (c) Negative confirmation request – A request that the confirming party respond ~~directly~~ to the auditor, directly or through an intermediary, only if the confirming party disagrees with the information provided in the request.
 - (d) Non-response – A failure of the confirming party to respond, or fully respond, in written form, to a positive confirmation request, or a confirmation request returned undelivered.
 - (dA) Positive confirmation request – A request that the confirming party respond ~~directly~~ to the auditor, directly or through an intermediary, indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.

Requirements

~~External Confirmations for Cash and Cash Equivalents and Accounts Receivable~~

- ~~6A. In applying Proposed ISA 330 (Revised),¹⁵ if the auditor's assessment of risks of material misstatement at the assertion level for cash and cash equivalents held by third parties or accounts receivable balances and disclosures is such that the inherent risk is not on the lower end of the spectrum of inherent risk, the audit shall determine whether external confirmation procedures are to be performed for these balances and disclosures. (Ref: Para. A0A–A0C)~~

¹⁵ ~~Proposed ISA 330 (Revised), paragraph 19~~

External Confirmation Procedures

7. When using external confirmation procedures, the auditor shall maintain control over the external confirmation process, by:
- (a) Determining the information to be confirmed or requested; (Ref: Para. A1)
 - (aA) Selecting the items to be confirmed or requested;
 - (b) Selecting the appropriate confirming parties; (Ref: Para. A2)
 - (c) Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent ~~directly~~ to the auditor directly or through an intermediary; and (Ref: Para. A3–A6)
 - (d) Sending the requests, including follow-up requests when applicable, ~~directly~~ to the confirming parties directly or through an intermediary. (Ref: Para. A7)
 - (e) Obtaining the confirmation responses ~~directly~~ from the confirming parties directly or through an intermediary.

Using an Intermediary

- 7A. In evaluating the reliability of information intended to be used as audit evidence in accordance with Proposed ISA 500,¹⁶ When using an intermediary in the external confirmation process, the auditor shall evaluate the implications of using an intermediary of their use on the reliability of: (Ref: Para. A7A–A7D)~~confirmation requests and confirmation responses. (Ref: Para. AXX)~~

Negative Confirmation Requests

- 7B. Negative confirmation requests provide significantly less persuasive audit evidence than positive confirmation requests. Accordingly, the auditor shall only use negative confirmation requests to address an assessed risk of material misstatement at the assertion level if: (Ref: Para. A7E–A7G)
- (a) Used in combination with other substantive procedures; and ~~if~~
 - (b) All of the following preconditions are present: ~~(Ref: Para. A7A A7E–A7CA7G)~~
 - (ia) The auditor's assessment of risks of material misstatement at the assertion level is such that the assessment of inherent risk is on the lower end of the spectrum of inherent risk ~~and has obtained sufficient appropriate audit evidence regarding the operating effectiveness of controls relevant to the assertion;~~
 - (iib) The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous account balances, transactions or conditions;
 - (iiie) A very low exception rate is expected; and
 - (ivd) The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests.

¹⁶ Proposed ISA 500, paragraphs 11

Management's Refusal to Allow the Auditor to Send a Confirmation Request

8. If management refuses to allow the auditor to send a confirmation request, the auditor shall:
- (a) Inquire as to management's reasons for the refusal, and seek audit evidence as to their validity and reasonableness; (Ref: Para. A8)
 - (b) Evaluate the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risk of material misstatement due to fraud, and on the nature, timing and extent of other audit procedures; and (Ref: Para. A9)
 - (c) Perform alternative audit procedures designed to obtain relevant and reliable audit evidence. (Ref: Para. A10)
9. If the auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures, the auditor shall communicate with those charged with governance in accordance with ISA 260 (Revised).¹⁷ The auditor also shall determine the implications for the audit and the auditor's opinion in accordance with ISA 705 (Revised).¹⁸

Results of the External Confirmation Procedures

Reliability of Responses to Confirmation Requests

- 9A. In ~~applying Proposed ISA 500 (Revised),¹⁹ the auditor shall evaluate~~ evaluating the reliability of confirmation responses ~~in accordance with Proposed ISA 500 (Revised),²⁰. In making this evaluation,~~ the auditor shall ~~consider~~ remain alert throughout the audit for any information about conditions, events or circumstances ~~that the auditor becomes aware of that: (Ref: Para. AXX-AXX)(Ref: Para A10A)~~
- (a) Impairs the credibility of the ~~selected~~ confirming party; or
 - (b) Indicates that the confirmation request or confirmation response may ~~have been intercepted or altered~~ not be authentic.
10. In applying Proposed ISA 500 (Revised),²¹ if the auditor has doubts about the reliability of a response to a confirmation request, the auditor shall determine what modifications to external confirmation procedures, or determine what other audit procedures, are necessary to resolve those doubts. (Ref: Para. A140AB-A16)
11. In applying Proposed ISA 500 (Revised),²² if doubts about the reliability of confirmation responses cannot be resolved, the auditor shall evaluate the implications on the assessment of the risks of material misstatement, including the risk of material misstatement due to fraud, and on the related nature, timing and extent of other audit procedures. (Ref: Para. A17)

¹⁷ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraph 16

¹⁸ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁹ ~~Proposed ISA 500 (Revised), paragraph 9~~

²⁰ Proposed ISA 500 (Revised), paragraph 11

²¹ Proposed ISA 500 (Revised), paragraph ~~42~~15(b)

²² Proposed ISA 500 (Revised), paragraph ~~42A~~16

Non-Responses

12. In the case of each non-response, the auditor shall perform alternative audit procedures for the selected item to obtain relevant and reliable audit evidence. (Ref: Para ~~A18A17A~~A19)

When a Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence

13. If the auditor has determined that a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence, alternative audit procedures will not provide the audit evidence the auditor requires. If the auditor does not obtain such confirmation, the auditor shall determine the implications for the audit and the auditor's opinion in accordance with ISA 705 (Revised). (Ref: Para A20)

Exceptions

14. The auditor shall investigate exceptions to determine whether or not they are indicative of: (Ref: Para. A21–~~A22AA22B~~)
- (a) Misstatements and if so, whether such misstatements are indicative of fraud;²³ or
 - (b) Deficiencies in the entity's system of internal control.²⁴

~~Evaluating the Evidence Obtained~~

- ~~16. The auditor shall evaluate whether the results of the external confirmation procedures provide relevant and reliable audit evidence, or whether further audit evidence is necessary. (Ref: Para A24–A25)~~

Application and Other Explanatory Material

~~External Confirmations for Cash and Cash Equivalents and Accounts Receivable~~ (Ref: Para 6A)

~~A0A. Proposed ISA 330 (Revised)²⁵ provides examples of situations in which external confirmation procedures may provide audit evidence in responding to assessed risks of material misstatement at the assertion level. Proposed ISA 500 (Revised)²⁶ recognizes external confirmation procedures as a type of audit procedure auditors design and perform to obtain audit evidence and also provides examples of situations where external confirmations may be requested by the auditor.~~

A0B. [Moved to ISA 330, paragraph A37B – see conforming amendments]

A0C. [Moved to ISA 330, paragraph A37C – see conforming amendments]

²³ ISA 450, *Evaluation of Misstatements Identified during the Audit*, paragraph 5A

²⁴ ISA 315 (Revised 2019), paragraph 27

²⁵ ~~Proposed ISA 330 (Revised), paragraph A50~~

²⁶ ~~Proposed ISA 500 (Revised), Appendix 1, paragraph 6~~

External Confirmation Procedures

Determining the Information to Be Confirmed or Requested (Ref: Para. 7(a))

- A1. External confirmation procedures frequently are performed to confirm or request information regarding account balances and their elements. They may also be used to confirm terms of agreements, contracts, or transactions between an entity and other parties, or to confirm the absence of certain conditions, such as a “side agreement.”

Selecting the Appropriate Confirming Party (Ref: Para. 7(b))

- A2. Responses to confirmation requests provide more relevant and reliable audit evidence when confirmation requests are sent to a confirming party the auditor believes is knowledgeable about the information to be confirmed. For example, a financial institution official who is knowledgeable about the transactions or arrangements for which confirmation is requested may be the most appropriate person at the financial institution from whom to request confirmation.

Designing Confirmation Requests (Ref: Para. 7(c))

- A3. The design of a confirmation request may directly affect the confirmation response rate, and the reliability and the nature of the audit evidence obtained from responses.

- A4. Factors to consider when designing confirmation requests include:

- The assertions being addressed.
- Specific identified risks of material misstatement, including risks of material misstatement due to fraud.
- ~~The layout and presentation of the confirmation request.~~
- Prior experience on the audit or similar engagements.
- The method of communication ~~(for example, in paper form, or by electronic or other medium).~~
- Management’s authorization or encouragement to the confirming parties to respond to the auditor. Confirming parties may only be willing to respond to a confirmation request containing management’s authorization.
- The ability of the intended confirming party to confirm or provide the requested information (for example, individual invoice amount versus total balance).
- Whether an intermediary is used to send external confirmation requests and to receive external confirmation responses. The use of an intermediary does not diminish the auditor’s responsibility to maintain control over the external confirmation process.

- A4A. External confirmation procedures are designed and performed to obtain audit evidence relevant to one or more assertions. However, because an external confirmation ordinarily addresses only specific information requested from the confirming party, external confirmation procedures may not, on their own, provide sufficient appropriate audit evidence for all relevant assertions.

Examples:

- Valuation – For accounts receivable balances, external confirmation procedures may provide evidence that the debtor acknowledges the amount owed at the confirmation date. However, they do not, on their own, provide sufficient appropriate audit evidence regarding the valuation of the receivable, as the debtor may be experiencing financial difficulties.
- Completeness – For loans, a bank confirmation provides evidence in relation to the financial institution from which the confirmation is obtained. It does not provide sufficient appropriate audit evidence regarding the completeness of all bank accounts, borrowings or other banking arrangements, as the entity may have relationships with other financial institutions that are not subject to the confirmation.

- A5. A positive external confirmation request asks the confirming party to reply to the auditor in all cases, either by indicating the confirming party's agreement with the given information, or by asking the confirming party to provide information. A response to a positive confirmation request ordinarily ~~is expected to provide~~ relevant and reliable audit evidence. There is a risk, however, that a confirming party may reply to the confirmation request without verifying that the information is correct. The auditor may reduce this risk by using positive confirmation requests that do not state the amount (or other information) on the confirmation request, and ask the confirming party to fill in the amount or furnish other information. ~~On the other hand, use of this type of "blank" confirmation request may result in lower response rates because additional effort is required of the confirming parties.~~
- A6. Determining that requests are properly addressed includes testing the validity of some or all of the addresses on confirmation requests before they are sent out.

Follow-Up on Confirmation Requests (Ref: Para. 7(d))

- A7. The auditor may send an additional confirmation request when a reply to a previous request has not been received within a reasonable time. For example, the auditor may, having re-verified the accuracy of the original address, send an additional or follow-up request.

Using an Intermediary (Ref: Para 7A)

A7A. An intermediary used in external confirmation procedures is a service provider as defined by ISQM1²⁷ because it is an individual or organization external to the firm that provides a resource that is used in the performance of an engagement. ISQM 1 requires the firm to establish quality objectives that address whether human, technological or intellectual resources from service providers are appropriate for use in the performance of engagements.²⁸ Accordingly, when an intermediary is used in confirmation procedures, the firm establishes policies or procedures that set out matters for the engagement team to consider in determining whether the intermediary is appropriate for that purpose.

~~A7B. The use of an intermediary does not diminish the auditor's responsibility to maintain control over the external confirmation process. In evaluating the implications on the reliability of the confirmation~~

²⁷ 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*, paragraph 16(v)

²⁸ ISQM 1, paragraph 32(h)

request sent through an intermediary and the confirmation response received through an intermediary, the auditor may consider information obtained through the firm's policies or procedures established in accordance with ISQM1 or through procedures performed at the engagement level. Such information may assist the auditor in:

- Obtaining an understanding of the intermediary's controls that address the risk of interception and alteration of the external confirmation requests and responses.
- Determining whether the intermediary's controls designed to address the risk of interception and alteration of the external confirmation requests and responses have been designed, implemented and, where relevant, are operating effectively. This determination may include considering a report on controls at a service organization (e.g., a type 1 or type 2 report as per ISA 402)²⁹ that is relevant to the intermediary's services.
- Evaluating whether the any relationship between the intermediary and the entity (e.g., financial, ownership, or other business relationships or contractual rights) may enable the entity to override or influence the controls designed to address the risks of interception and alteration of the confirmation requests and responses.

A7C. The auditor's evaluation may indicate that the use of an intermediary could adversely affect the reliability of the information intended to be used as audit evidence. This may be the case, for example, when:

- The auditor is unable to obtain sufficient appropriate audit evidence that the intermediary has implemented controls that appropriately address the risks of interception or alteration of confirmation requests and responses; or
- Relationships or other circumstances exist that could enable the entity to override the intermediary's controls that address the risks of interception or alteration of confirmation requests and responses.

In such circumstances, the auditor may determine that the use of the intermediary is not appropriate and instead send the confirmation requests directly to the confirming parties or perform alternative audit procedures that may be similar to those appropriate for a non-response as set out in paragraphs A18–A19 of this ISA.

A7D. If a confirming party uses an ~~third-party intermediary~~ to coordinate and provide responses to confirmation requests, the auditor may perform procedures to address the risks that:

- (a) The response may not be from the proper source;
- (b) A respondent may not be authorized to respond; and
- (c) The integrity of the transmission may have been compromised. **[Moved from paragraph A13]**

Negative Confirmation Requests (Ref: Para. 7B)

A7A7E. The ~~failure to receive~~ ~~absence of a~~ response to a negative confirmation request does not explicitly indicate receipt by the intended confirming party of the confirmation request or verification of the accuracy of the information contained in the request. Accordingly, ~~a failure~~ the absence of a response of from a confirming party ~~to respond~~ to a negative confirmation request provides

²⁹ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*, paragraphs 8(b) and 8(c).

significantly less persuasive audit evidence than does a response to a positive confirmation request. Confirming parties also may be more likely to respond indicating their disagreement with a confirmation request when the information in the request is not in their favor, and less likely to respond otherwise. For example, holders of bank deposit accounts may be more likely to respond if they believe that the balance in their account is understated in the confirmation request, but may be less likely to respond when they believe the balance is overstated. Therefore, sending negative confirmation requests to holders of bank deposit accounts may be a useful procedure in considering whether such balances may be understated, but is unlikely to be effective if the auditor is seeking evidence regarding overstatement.

~~A7B. The following example illustrates a situation where the use of negative confirmation requests, in combination with other substantive procedures, may provide sufficient appropriate audit evidence to address an assessed risk of material misstatement at the assertion level.~~

Example:

~~An entity has many suppliers (e.g., office supplies vendors) with low value balances. There are effective controls over purchase orders, goods receipt, and invoice matching. The population of items to be confirmed comprises homogeneous accounts payable balances arising from routine, low value purchases with similar terms. There are few historical disputes or unmatched invoices. The auditor considers that suppliers would be likely to respond if the stated payable balances are incorrect (especially if understated) because, for example, they rely on timely payments. Therefore, the auditor sends negative confirmation requests, in combination with other substantive procedures, asking suppliers to respond only if the stated payable balance is incorrect.~~

~~A7C~~A7G. The following are examples of other substantive procedures that auditors may perform in combination with negative confirmation requests:

- Substantive analytical procedures.
- Tests of details over subsequent cash receipts or payments.
- Cut-off testing over sales or purchase transactions.
- Analytical procedures that are not substantive analytical procedures.

Management's Refusal to Allow the Auditor to Send a Confirmation Request

Reasonableness of Management's Refusal (Ref: Para. 8(a))

A8. A refusal by management to allow the auditor to send a confirmation request is a limitation on the audit evidence the auditor may wish to obtain. The auditor is therefore required to inquire as to the reasons for the limitation. A common reason advanced is the existence of a legal dispute or ongoing negotiation with the intended confirming party, the resolution of which may be affected by an untimely confirmation request. The auditor is required to seek audit evidence as to the validity and reasonableness of the reasons because of the risk that management may be attempting to deny the auditor access to audit evidence that may reveal fraud or error.

Implications for the Assessment of Risks of Material Misstatement (Ref: Para. 8(b))

A9. The auditor may conclude from the evaluation in paragraph 8(b) that it would be appropriate to revise the assessment of the risks of material misstatement at the assertion level in accordance with ISA 315 (Revised 2019)³⁰ and modify planned further audit procedures to be responsive to the revised risk assessment.³¹ ~~in accordance with ISA 315 (Revised 2019).~~³² For example, if management's refusal to allow the auditor to send a confirmation request ~~to not confirm~~ is unreasonable, this may indicate a fraud risk factor that requires evaluation in accordance with ISA 240 (Revised).³³

Alternative Audit Procedures (Ref: Para. 8(c))

A10. The alternative audit procedures performed may be similar to those appropriate for a non-response as set out in paragraphs A18–A19 of this ISA. Such procedures also would take account of the results of the auditor's evaluation in paragraph 8(b) of this ISA.

Results of the External Confirmation Procedures

Reliability of Responses to Confirmation Requests (Ref: Para. 9A–10)

A10A. Information that calls into question the credibility of a selected confirming party may arise, for example, from:

- Publicly available information (e.g., through news and other media);
- The auditor's previous experience with the confirming party;
- The auditor's ~~or~~ knowledge obtained from other engagements; and
- Management.

A10B. When evaluating the results of individual external confirmation requests, the auditor may categorize such results as follows:

- A response by the appropriate confirming party indicating agreement with the information provided in the confirmation request, or providing requested information without exception;
- A response indicating an exception; ~~A response deemed unreliable;~~
- A non-response; or
- A response deemed unreliable ~~A response indicating an exception.~~ [Moved from paragraph A24]

Reliability of Responses to Confirmation Requests (Ref: Para. 10)

A11. Proposed ISA 500 (Revised) indicates that when evaluating the relevance and reliability of information intended to be used as audit evidence, the auditor is required to consider the source of the information. The source of the information may affect the auditor's professional judgment regarding relevance and the attributes of reliability of the information intended to be used as audit

³⁰ ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, paragraph 37

³¹ Proposed ISA 330 (Revised), paragraphs 6-7

³² ~~ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, paragraph 37~~

³³ ISA 240 (Revised), paragraph 38

~~evidence, even when audit evidence is obtained from sources external to the entity, circumstances may exist that affect its reliability.~~³⁴ Although external confirmation procedures result in information from external sources, All responses carry some risk of interception, alteration or fraud. Such risk exists regardless of whether a response is obtained in paper form, or by electronic-digital or other medium, directly or through an intermediary. Factors that may indicate doubts about the reliability of a response include that it:

- Was received by the auditor indirectly, or through an inappropriate intermediary; ~~or~~
- Appeared not to come from the originally intended confirming party (e.g., came from a physical or digital address other than the address on the confirmation request); or
- Does not include a signature of the confirming party or otherwise identify the confirming party.

A12. Responses received electronically in digital form, for example, by ~~facsimile or electronic e-mail~~, involve risks as to reliability because proof of origin and authority of the respondent may be difficult to establish, and alterations may be difficult to detect. A process used by the auditor and the respondent that creates a secure environment for responses received electronically in digital form may mitigate these risks. If the auditor is satisfied that such a process is secure and properly controlled, the reliability of the related responses is enhanced. An electronic confirmation process might incorporate various techniques for validating the identity of a sender of information in electronic digital form, for example, through the use of encryption, electronic digital signatures, and procedures to verify web site authenticity.

A13. **[Moved to paragraph A7D]**

A14. The auditor is required by Proposed ISA 500 (Revised) to determine ~~whether to modify what modifications~~ or ~~add additions to audit~~ procedures are necessary to resolve doubts ~~ever about~~ the reliability of information intended to be used as audit evidence.³⁵ The auditor may choose to verify the source and contents of a response to a confirmation request by directly contacting the confirming party. ~~For example, when a confirming party responds by electronic mail, the auditor may telephone the confirming party to determine whether the confirming party did, in fact, send the response.~~ When a response has been returned to the auditor indirectly (for example, because the confirming party incorrectly addressed it to the entity rather than to the auditor), the auditor may request the confirming party to respond in writing directly to the auditor.

A15. On its own, an oral response to a confirmation request does not meet the definition of an external confirmation because it is not a direct written response to the auditor. However, upon obtaining an oral response to a confirmation request, the auditor may, depending on the circumstances, request the confirming party to respond in writing directly to the auditor. If no such response is received, in accordance with paragraph 12, the auditor seeks other audit evidence to support the information in the oral response.

A16. A response to a confirmation request may contain restrictive language regarding its use. Such restrictions do not necessarily invalidate the reliability of the response as audit evidence.

³⁴ Proposed ISA 500 (Revised), paragraph ~~A35~~A32

³⁵ Proposed ISA 500 (Revised), paragraph ~~44~~15(b)

Unreliable Responses (Ref: Para. 11)

- A17. ~~When~~If the auditor cannot resolve doubts about the reliability of a response or concludes that a response is unreliable, the auditor may need to revise the assessment of the risks of material misstatement at the assertion level in accordance with ISA 315 (Revised 2019)³⁶ and modify planned further audit procedures to be responsive to the revised risk assessment~~accordingly, in accordance with ISA 315 (Revised 2019)~~.³⁷ For example, an unreliable response may indicate a fraud risk factor that requires evaluation in accordance with ISA 240 (Revised).³⁸

Non-Responses (Ref: Para. 12)

A17A. In the case of each non-response, alternative audit procedures for the selected item may provide relevant and reliable audit evidence for the same relevant assertions and achieve a similar level of persuasiveness as the external confirmation procedures originally intended. The auditor may determine that a combination of alternative audit procedures is necessary to obtain relevant and reliable audit evidence.

- A18. The following are examples of alternative audit procedures the auditor may perform and that individually or in combination~~include~~may provide relevant and reliable audit evidence for the selected items:

Examples:

- For cash and cash equivalent balances held by third parties – directly accessing information maintained by a knowledgeable external source through direct access mechanisms such as auditor-controlled access to bank account information through a secure portal.³⁹
- For accounts receivable balances – examining one or more of the following (i) specific subsequent cash receipts, (ii) shipping documents~~ation~~, or (iii) other supporting documents (e.g., purchase orders or signed contracts and amendments)and sales near the period end.
- For terms of a transaction or agreement – inspecting the signed contract and amendments thereto, comparing contractual terms to industry norms, and discussing and verifying significant information with other parties involved in the transaction or agreement.
- For accounts payable balances – examining one or more of the following: (i) subsequent cash disbursements, (ii) ~~or~~ correspondence from ~~third parties~~ vendors and suppliers, and or (iii) other ~~records, such as goods received notes~~ supporting documentation.

- A19. The nature, timing and extent of alternative audit procedures ~~are~~may be affected by:

- The assessed risks of material misstatement at the assertion level.–
- ~~†~~The nature of the class of transactions, account balance or disclosureand assertion in question.
- The results of other audit procedures performed that address the same assertion(s).

³⁶ ISA 315 (Revised 2019), paragraph 37

³⁷ Proposed ISA 330 (Revised), paragraphs 6-7~~ISA 315 (Revised 2019), paragraph 37~~

³⁸ ISA 240 (Revised), paragraph 38

³⁹ Proposed ISA 330 (Revised), paragraph A37C

A non-response to a confirmation request may [also](#) indicate a previously unidentified risk of material misstatement. In such situations, the auditor may need to revise the assessed risk of material misstatement at the assertion level, and modify planned audit procedures, in accordance with ISA 315 (Revised 2019).⁴⁰ For example, fewer responses to confirmation requests than anticipated, or a greater number of responses than anticipated, may indicate a previously unidentified fraud risk factor that requires evaluation in accordance with ISA 240 (Revised).⁴¹

When a Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence (Ref: Para. 13)

A20. In certain circumstances, the auditor may identify an assessed risk of material misstatement at the assertion level for which a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence. Such circumstances may include where:

- The information available to corroborate management's assertion(s) is only available outside the entity.
- Specific fraud risk factors, such as the risk of management override of controls, or the risk of collusion which can involve employee(s) and/or management, prevent the auditor from relying on evidence from the entity.

Exceptions (Ref: Para. 14)

A21. Exceptions noted in responses to confirmation requests may indicate misstatements or potential misstatements in the financial statements. When a misstatement is identified, the auditor is required by ISA 450⁴² to evaluate whether such misstatement is indicative of fraud. Exceptions may [also](#) provide a guide to the quality of responses from similar confirming parties or for similar accounts. ~~Exceptions also may indicate a deficiency, or deficiencies, in the entity's internal control over financial reporting. If an exception is indicative of fraud, ISA 240 (Revised)⁴³ requires the auditor to obtain an understanding of the matter(s) in order to determine the effect on the audit engagement.~~

A22. Some exceptions do not represent misstatements. For example, the auditor may conclude that differences in responses to confirmation requests are due to timing, measurement, or clerical errors in the external confirmation procedures.

~~A22A. Exceptions identified through external confirmation procedures also may indicate deficiencies in the entity's system of internal control. ISA 265⁴⁴ establishes requirements and provides guidance on communicating to management and those charged with governance deficiencies in internal control that the auditor has identified during the audit.~~

~~Evaluating the Evidence Obtained (Ref: Para. 16)~~

A24. **[Moved to paragraph A10A]**

~~A25. The auditor's evaluation, when taken into account with other audit procedures the auditor may have~~

⁴⁰ ISA 315 (Revised 2019), paragraph 37

⁴¹ ISA 240 (Revised), paragraph 38

⁴² ISA 450, paragraph 6

⁴³ [ISA 240 \(Revised\), paragraph 55](#)

⁴⁴ [ISA 265. Communicating Deficiencies in Internal Control to Those Charged with Governance and Management](#)

~~performed, may assist the auditor in concluding whether sufficient appropriate audit evidence has been obtained or whether further audit evidence is necessary, as required by ISA 330.⁴⁵~~

⁴⁵ ~~ISA 330, paragraphs 26–27~~