

Significant Proposed Conforming and Consequential Amendments

This Agenda Item includes the significant proposed conforming and consequential amendments to selected requirements and application material of Proposed ISA 330 (Revised)¹ as a result of the proposed revisions resulting from Proposed ISA 505 (Revised).² These amendments only address the topic relating to the considerations about the need to perform external confirmation procedures and directly accessing information.

The grey shaded areas are related to the topic of external confirmation procedures but are not subject to conforming and consequential amendments.

PROPOSED ISA 330 (REVISED), THE AUDITOR'S RESPONSES TO ASSESSED RISKS

Introduction

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Requirements

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Substantive Procedures

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External Confirmation Procedures

11. The auditor shall consider whether to perform external confirmation procedures when designing substantive procedures. (Ref: Para. A34–A37A)

11A. If for cash and cash equivalent balances held by third parties the auditor's assessment of risks of material misstatement at the assertion level is such that the assessment of inherent risk is not on the lower end of the spectrum of inherent risk, in complying with paragraph 11, the auditor shall determine whether to perform external confirmation procedures in responding to the assessed risks of material misstatement. (Ref: Para. A37B–A37C)

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Application and Other Explanatory Material

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

² Proposed ISA 505 (Revised), *External Confirmations*

Substantive Procedures

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Considering Whether External Confirmation Procedures Are to Be Performed (Ref: Para. 11)³

A34. External confirmation procedures are more often performed when addressing assessed risks of material misstatement at the assertion level associated with account balances, but need not be restricted to these items.

Example:

The auditor may request external confirmation of the terms of agreements, contracts or transactions between an entity and other parties. External confirmation procedures may also provide information that can be used as audit evidence about the absence of certain conditions, such as a request that specifically seeks confirmation that no “side agreements” exists that may be relevant to an entity’s revenue cutoff assertion.

Other situations where external confirmation procedures may provide audit evidence in responding to assessed risks of material misstatement include:

- Cash and cash equivalent balances held by third parties ~~Bank balances~~ and other information relevant to banking relationships.
- Accounts receivable balances and terms.
- Inventories held by third parties at bonded warehouses for processing or on consignment.
- Property title deeds held by lawyers or financiers for safe custody or as security.
- Investments held for safekeeping by third parties or purchased from stockbrokers but not delivered at the balance sheet date.
- Amounts due to lenders, including relevant terms of repayment and restrictive covenants.
- Accounts payable balances and terms.

A34A. For accounts receivable balances, external confirmation procedures often provide relevant and reliable audit evidence about the existence of the accounts receivable balances. An external confirmation may not, on their own, provide sufficient appropriate audit evidence regarding the valuation of the accounts receivable balances because the debtor’s acknowledgement of the amount owed does not necessarily provide audit evidence about the debtor’s ability or intention to pay.

A35. The information in external confirmations may provide persuasive audit evidence relating to certain assertions and less persuasive evidence about others. See F for example the situation relating to, external confirmations may provide less persuasive audit evidence relating to the valuation of accounts receivable balances, than they do of their existence as discussed in paragraph A34A.

A36. The auditor may determine that the information obtained by performing external confirmation procedures to address assessed risks of material misstatement related to a relevant assertion may also be used as audit evidence related to another relevant assertion. For example, confirmation

³ If external confirmation procedures are to be performed, Proposed ISA 505 (Revised), External Confirmations applies.

requests for bank balances often include requests for information relevant to other significant disclosures or other relevant assertions. Such considerations may influence the auditor's decision about whether to perform external confirmation procedures.

A37. The auditor's decision whether external confirmation procedures are to be performed when designing substantive procedures may be influenced by factors such as:

- The confirming party's knowledge of the subject matter. Responses may be more reliable if provided by a person at the confirming party who has the requisite knowledge about the information being confirmed.
- The ability or willingness of the intended confirming party to respond. For example, the confirming party:
 - May not accept responsibility for responding to a confirmation request;
 - May consider responding too costly or time consuming;
 - May have concerns about the potential legal liability resulting from responding;
 - May account for transactions in different currencies; or
 - May operate in an environment where responding to confirmation requests is not a significant aspect of day-to-day operations.

In such situations, confirming parties may not respond, may respond in a casual manner or may attempt to restrict the reliance placed on the response.

- The objectivity of the intended confirming party. If the confirming party is a related party of the entity, responses to confirmation requests may be less reliable.

Directly Accessing Information Maintained by a Knowledgeable External Source (Ref: Para. 11)

A37A. Directly accessing information maintained by a knowledgeable external source does not constitute an external confirmation but may provide relevant and reliable audit evidence. For example, for cash and cash equivalent balances held by third parties, direct access mechanisms may be used as an alternative to, or in conjunction with, external confirmation procedures. This can be the case where the auditor has direct, auditor-controlled access to bank account information through a secure portal.

Determining Whether External Confirmation Procedures Are to Be Performed for Cash and Cash Equivalent Balances Held By Third Parties (Ref: Para. 11A)

A37B. The auditor may determine not to use external confirmation procedures to address assessed risks of material misstatement at the assertion level for cash and cash equivalents balances held by third parties and accounts receivable balances and disclosures. This may be the case when doing so would be:

- Ineffective, such as when, based on the auditor's prior years' audit experience with the entity or experience with similar entities, external confirmation response rates to properly designed confirmation requests are expected to be inadequate.
- Impracticable, such as when the auditor is unable to identify a confirming party who could provide reliable responses to confirmation requests.

In such circumstances, the auditor may need to ~~apply other types of~~ ~~modify planned further audit procedures~~ ~~in performing substantive procedures, tests of controls, or a combination of both,~~ in accordance with Proposed ISA 330 (Revised)⁴ ~~and may, for example, perform audit procedures by directly accessing information maintained by a knowledgeable external source.~~ [Moved from Proposed ISA 505 (Revised) A0B presented to the Board in June 2026]

A37C. Depending on the auditor's assessed risks of material misstatement at the assertion level, the auditor may perform other ~~substantive audit~~ procedures, ~~whether substantive procedures~~ or tests of controls, in addition to external confirmation procedures for cash and cash equivalents ~~balances~~ held by third parties ~~and accounts receivable balances and disclosures~~ to reduce audit risk to an acceptably low level. [Moved from Proposed ISA 505 (Revised) A0C presented to the Board in June 2026]

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⁴ [Proposed ISA 330 \(Revised\), paragraph 6–7](#)