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June 26, 2025

Auditing Standards Board  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas, 27<sup>th</sup> Floor  
New York, NY 10105

Via Email to [CommentLetters@aicpa-cima.com](mailto:CommentLetters@aicpa-cima.com)

**Re: Proposed Statement on Auditing Standards, *External Confirmations***

Dear Board members and Staff:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Statement on Auditing Standards (SAS), *External Confirmations*. We support the Auditing Standards Board's (ASB's) project to compare and consider AU-C section 505, *External Confirmations*, with the PCAOB's new Auditing Standard 2310, *The Auditor's Use of Confirmation*. We believe such an undertaking is appropriate and in the public interest. Although we generally support moving forward with revisions to AU-C section 505, we believe any changes to AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, are better suited in future projects on the ASB's work plan. We respectfully submit our responses to the requests for comment, along with other observations, for the Board's consideration.

**Responses to requests for comment**

**Question 1: Do respondents believe that the proposed effective date is appropriate and provides adequate time for implementation? If not, respondents are asked to state their reasons and an alternate effective date.**

We support the proposed effective date for the revisions to AU-C section 505. We believe it is appropriate to delay changes to AU-C section 330 (see our response to Question 2).

**Question 2: Do respondents agree with adding a presumptively mandatory requirement to confirm cash as shown in proposed paragraph .21 of AU-C section 330? If not, respondents are asked to state their reasons.**

We do not support the proposal to add a presumptively mandatory requirement to confirm cash as shown in proposed paragraph .21 of AU-C section 330. We recommend eliminating this proposed requirement and revisiting the need for such a requirement in connection with other anticipated revisions to AU-C section 330 in the future.

Given that the confirmation of cash is currently a common practice by the majority of auditors, we do not believe that the ASB has provided sufficient rationale to demonstrate how the proposed requirement to confirm cash would have a meaningful impact on audit quality in considering the criteria listed in bullets 1, 2, or 5 on page 6 of the Exposure Memorandum to propose changes to GAAS. We support allowing auditors to take a risk-based approach when determining whether to confirm cash.

The underlying rationale for adding the presumptively mandatory requirement to confirm cash was to converge AU-C section 330 with AS 2310; however, the proposed requirement allows for exceptions while AS 2310 does not permit exceptions. As a result, the proposed presumptively mandatory requirement to confirm cash is not converged with PCAOB standards nor with International Standards on Auditing (ISAs).

We are aware of the International Auditing and Assurance Standards Board's (IAASB) ongoing Audit Evidence & Risk Response project, which will directly impact ISA 330, *The Auditor's Responses to Assessed Risks*. In accordance with the ASB's strategy to converge its standards with the ISAs, we believe a holistic evaluation of AU-C section 330 is needed; any presumptively mandatory requirement in AU-C section 330 to confirm cash, along with all other proposed changes to AU-C section 330, should be deferred and considered in connection with the IAASB's project on ISA 330.

**Question 3: Do respondents believe that the exceptions provided in proposed paragraph .21 of AU-C section 330 are appropriate and understandable?**

We believe the exceptions provided in proposed paragraph .21 of AU-C section 330 could create unintended confusion in practice (see our response to Question 4). We refer to our response to Question 2 where we suggest deleting proposed paragraph .21.

Nevertheless, if the proposed presumptively mandatory requirement to confirm cash is retained, we believe that additional clarification of each exception is needed. The exception proposed in paragraph .21(a) appears to contradict paragraph .A63 in AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards*, by implying that the auditor may comply with laws and regulations that differ from GAAS related to the confirmation of cash and still consider the audit in compliance with GAAS. In our view, additional guidance is needed to explain when the ASB believes this exception is appropriate. The exception proposed in paragraph .21(b) does not address the

situation auditors face in practice today, whereby banks do not respond to external confirmation requests as a matter of public policy but instead use an intermediary to provide such information. We do not believe the proposed language clearly states that the exception does not relate to situations where using an intermediary to confirm cash balances at banks is considered a direct response.

**Question 4: Do respondents believe that there are other circumstances in which the auditor may be unable to or should not be required to confirm cash?**

We refer to our response to Question 2 where we suggest deleting proposed paragraph .21 of AU-C section 330.

Nevertheless, if the proposed presumptively mandatory requirement to confirm cash is retained, we believe it is missing important guidance for the audits of employee benefit plans, which, if not included, may have the unintended consequence of increasing inconsistency in practice. Accordingly, if the requirement to confirm cash is retained, we suggest addressing additional circumstances in application material, as follows:

**Considerations related to employee benefit plan audits**

**.AA When management elects an ERISA Section 103(a)(3)(c) audit, the audit need not extend to any information certified to by the bank or similar institution or insurance carrier in accordance with the Code of Federal Regulations (CFR), Labor, Title 29, Section 2520.103-5 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA [insert footnote to AU-C section 703.08]. Accordingly, the requirement to use external confirmation procedures for cash is not relevant. [insert footnote to AU-C section 200.A85]**

**.AB Likewise, when the applicable financial reporting framework indicates cash is to be presented as an investment in the financial statements, the requirement to confirm cash is not relevant in the circumstances of the audit. For example, FinREC guidance for audits of an employee benefit plan where management has not elected an ERISA Section 103(a)(3)(c) audit indicates that interest-bearing cash balances are treated as investments in the financial statements, consistent with the reporting requirements of Form 5500, Annual Return/Report of Employee Benefit Plan [insert footnote to AICPA's Employee Benefit Plan Audit and Accounting Guide].**

**Question 5: Do respondents agree with adding the requirement to document the basis for any determination not to use external confirmation procedures for cash in accordance with proposed paragraph .21? If not, respondents are asked to state their reasons.**

We refer to our response to Question 2 where we suggest deleting proposed paragraph .21 of AU-C section 330. As such, we do not agree with adding a requirement to document the basis for any determination not to use external confirmation procedures for cash in accordance with proposed paragraph .21.

Nevertheless, if the requirement to confirm cash is retained, we ask the ASB to separate the documentation requirement for cash from the documentation requirement for accounts receivable in order for the proposed requirement to be consistent with the presentation of separate requirements telling the auditor when to confirm these items because the exceptions are different. Refer also to our response to Question 6 regarding our concerns about proposed changes to document the basis for any determination not to confirm accounts receivable.

**Question 6: Do respondents agree with the revisions to document the basis for any determination not to use external confirmation procedures for accounts receivable in accordance with paragraph .20?**

We do not agree with the proposed revisions to the existing requirement related to documenting the basis for any determination not to use external confirmation procedures for material accounts receivable. Generally, we are unaware of significant issues in practice that would be addressed by the proposed revisions, and we believe revisions to existing requirements in AU-C section 330 should be considered in a holistic evaluation of AU-C section 330 (see our response to Question 2).

We suggest that the requirement in renumbered paragraph .33 revert to the extant wording. Removing the reference to the phrase "when the account balance is material" changes the nature of the documentation requirement. Under the existing standards, auditors are required to document why confirmations would be ineffective. Under the proposed requirement, auditors would also be required to document why accounts receivable are not material, and that determination would be evident from the documentation of risk assessment procedures.

**Question 7: Do respondents believe that the proposed amendment to paragraphs .01, .19, and .A53 are appropriate? If not, respondents are asked to state their reasons.**

We support the proposed amendments to paragraph .01 of AU-C section 330.

We believe the proposed revisions to paragraph .19 go beyond the scope of the project and are not necessary. As noted above, we believe revisions to the requirements in AU-C section 330 should be considered in a holistic evaluation of that section.

We suggest the following revisions to paragraph .A53:

- Simplify the language added to the body of the paragraph and replace it with "...including disclosed or undisclosed written or oral side agreements..."
- Revise each bullet, as appropriate, to include the accuracy assertion, which may be a relevant assertion in accordance with GAAS.

**Question 8: Respondents are asked whether**

- a. the proposed definitions in paragraph .06 and new paragraph .07 and the related conforming amendments for consistency of terminology in AU-C section 330, AU-C section 500, and AU-C section 505 are appropriate;**

We broadly support the proposed definitions in paragraph .06 and proposed paragraph .07 in AU-C section 505 to align with AS 2310. We suggest the following changes related to the proposed definitions:

- State that “external confirmation” and “external confirmation procedures” are used interchangeably and have the same meaning. There is precedent for such an approach based on how the ASB defined “subject matter” and “subject matter information” in its attestation standards. Such revisions would eliminate the need to make holistic changes throughout GAAS as well as align all guides, textbooks, learning material, and manuals, which may reduce the time and cost of adoption.
- Correct a typo in the definition of “external confirmation procedures” and clarify the auditor’s responsibility related to nonresponses as follows:
  - External confirmation procedures. Procedures that involve selecting one or more items to be confirmed, sending a confirmation request directly to a confirming party (or otherwise directly accessing the information held by a confirming party); and evaluating the information received, and evaluating nonresponses to obtain audit evidence about one or more relevant assertions.
- Revise the definition of “nonresponse” to directly state that “an oral response only is considered a nonresponse.” Such revision aligns with extant guidance and would also be consistent the PCAOB’s definition of “nonresponse” in AS 2310.A8.

**b. the proposed amendments to other AU-C sections as shown in appendix A are appropriate; and**

We agree with the proposed amendments to other AU-C sections as shown in Appendix A.

**c. there are other sections of AICPA Professional Standards that might need to reflect the terminology of this proposed SAS.**

We are unaware of other sections in the AICPA’s professional standards that might need to reflect the terminology of this proposed SAS. Refer to our response to Question 8(a) with regard to minimizing the need for conforming changes related to definitions.

**Question 9: Do respondents believe that retaining the concept that direct access to information held by a confirming party is a form of confirmation and including that language in the proposed definition of external confirmation procedures is appropriate? If not, respondents are asked to state their reasons.**

We support the proposal to retain the concept that direct access to information held by a confirming party is a form of confirmation within the proposed definition of “external confirmation procedures.” However, we are concerned that when the proposed definition is read as a standalone paragraph, it is unclear whether the confirming party is providing the information or access to such information. As a result, the proposed language may be misinterpreted to mean that direct access includes circumstances when access to information is provided by management (that is, looking over management’s shoulder). We do not believe it is appropriate to clarify

the ASB's intent only through the proposed application material in paragraphs .A1 and .A2 of AU-C section 505. We suggest revising the proposed definition as shown below and deleting paragraph .A1 as it is unnecessary based on our suggested revisions to the definition itself:

External confirmation response. Audit evidence obtained as a direct written communication to the auditor from a confirming party, either in paper form or by electronic or other medium ~~(for example, through the auditor's direct access to information provided by the confirming party)~~ in response to a confirmation request. **Electronic or other medium includes direct access provided or facilitated by the confirming party.**

Conforming edits would need to be applied to the following:

- The introductory language in paragraph 1, bullet 1, to the amendment to AU-C section 330
- The introductory language in paragraph 3, bullet 1, to the amendment to AU-C section 505
- The cash and cash equivalents sub-bullet 2 under bullet 1 of paragraph .03 of AU-C section 505
- Paragraph .A55 of AU-C section 500.

**Question 10: Do respondents believe that the proposed requirement in paragraph .11, proposed revisions to renumbered paragraph .A22 (formerly paragraph .A14), and the introduction of new paragraphs .A15–.A18 are appropriate? If not, respondents are asked to state their reasons.**

We broadly support the proposed requirement in paragraph .11 and corresponding application material in paragraphs .A15 to .A18 and .A22. We recommend the following revisions to further enhance the clarity of the proposed paragraphs:

- **Proposed paragraph .11:** We believe that the requirements in paragraph .11 are incremental to the requirements in paragraphs .12 and .13. We therefore suggest relocating paragraph .11 to follow paragraph .13.
- **Proposed paragraph .A15(a):** An understanding of the intermediary's controls may also be obtained at the firm level. We suggest adding the following to the end of proposed paragraph .A15(a): **This understanding may be obtained at the firm level such as when the intermediary is used on one or more of the firm's engagements.**
- **Proposed paragraph .A16:** We do not agree with the reference to SOC 1 engagements in this paragraph because SOC 1 reports cover controls over financial reporting, which likely would not address an intermediary's controls as described in the application material. We suggest deleting the reference to "SOC 1" reports.
- **Proposed paragraph .A18:** We believe that the intent underlying this paragraph is to refer the auditor back to the requirements in paragraph .11, which relate to sending confirmations without an intermediary or to performing alternative

procedures if the auditor determines it is not appropriate to use an intermediary. As drafted, however, the examples within paragraph .A18 are potentially misleading and not principles-based; they imply that the requirement in paragraph .11 is more prescriptive than currently drafted. We suggest either (1) deleting paragraph .A18 as paragraphs .A15 to .A17 are sufficient to guide the auditor when evaluating the use of an intermediary, or (2) replacing the proposed paragraph .A18 with the following:

.A18 If the auditor identifies concerns related to the reliability of confirmation requests and external confirmation responses associated with the use of an intermediary, paragraph .11 applies.

**Question 11: Do respondents believe that the proposed revisions in paragraphs .A1–.A2 are appropriate? If not, respondents are asked to state their reasons.**

We support the proposed revisions in paragraphs .A1 to .A2 of AU-C section 505.

**Question 12: Do respondents believe that the proposed revisions to renumbered paragraph .A8 (formerly paragraph .A3) and addition of paragraph .A9 are appropriate? If not, respondents are asked to state their reasons.**

We agree that clarification of renumbered paragraph .A8 is necessary to address situations in which auditors of state and local governments use governmental agencies as confirming parties. However, we believe the proposed reference to “regulatory bodies” is overly prescriptive and is not consistent with our experience whereby governmental *agencies*, not governmental *regulatory bodies* (which typically have a responsibility for setting regulations), are the confirming party. We suggest that the phrase “governmental regulatory bodies” be replaced with “governmental agencies.”

Related to proposed paragraph .A9, we believe the inability to identify an appropriate confirming party is the entity’s, not the auditor’s, risk and, as such, should not impact the auditor’s risk assessment under AU-C section 315. We suggest the paragraph be revised to converge with the PCAOB’s requirement in AS 2310.11 as follows:

.A9 If the auditor is unable to identify a confirming party that would provide a relevant and reliable external confirmation response, the auditor may ~~conclude that it would be appropriate to revise the assessment of relevant risks of material misstatement and~~ modify the nature, timing, and extent of other alternative audit procedures.

**Question 13: Do respondents believe that the proposed addition of paragraph .A7 and proposed revisions in renumbered paragraphs .A19–.A20 are appropriate? If not, respondents are asked to state their reasons.**

We agree with providing examples to determine information to be confirmed in proposed new paragraph .A7.

We believe revisions to paragraph .A19 are needed to avoid unintended consequences, in particular:

- We question whether the added text is appropriate in the application of AU-C section 500 as the relationship to third-party fraud exists in AU-C section 240, which is expected to be released for exposure after the comment period for external confirmations closes. Draft versions of AU-C section 240 provide examples of third-party fraud executed via collusion with management; an inaccurate or misleading external confirmation response may be one method of hiding such collusion. It is not clear from the proposed text how the auditor would become aware of such motivation, ability, or lack of objectivity or freedom from bias when evaluating the external confirmation response. We suggest that the added text be removed in its entirety given the status of the AU-C section 240 project and the fact that paragraph .A21 of AU-C section 505 addresses authenticity of external confirmation responses.
- If the new text is not deleted in its entirety as we suggest above, we propose, at a minimum, deleting “willingness” from paragraph .A19(a). Based on the way proposed paragraph .21(b) in AU-C section 330 is written, it’s not clear how the auditor would know whether the confirming party is unwilling to provide an external confirmation response because the response would be inaccurate or misleading or because they have a policy or practice not to respond to such requests. We remind the ASB that numerous public service announcements and corporate policies exist to protect private and confidential information from potential scams executed via mail and electronic means. We do not believe a policy or practice not to respond to external confirmation requests necessarily indicates that the confirming party has an incentive or pressure to provide inaccurate or misleading external confirmation responses.
- We believe there is some duplication and overlap between paragraphs .A20 and .A21 as a result of the examples added to paragraph .A20. We suggest relocating paragraph .A21 to precede paragraph .A20; paragraph .A21 is more high-level and serves as an introduction to the detailed examples of potentially unreliable information added to paragraph .A20.

**Question 14: Do respondents believe that the proposed revisions to AU-C section 500 are appropriate and complete? If not, respondents are asked to state their reasons.**

We agree that the proposed revisions to AU-C section 500 are appropriate and complete. See Question 9 for a conforming edit to AU-C section 500, paragraph .A55, based on our suggested revision to the definition of “external confirmation response.”

**Question 15: Is the use of negative confirmations as the sole substantive audit procedure still appropriate under the conditions specified by AU-C section 505, or should AU-C section 505 require that negative confirmation requests be used only in combination with the performance of other substantive audit procedures?**

We support retaining the use of negative confirmations as the sole substantive procedure under the conditions specified by AU-C section 505. Although we believe the use of negative confirmations as the sole substantive procedure is rare in practice,



we support retaining the flexibility provided for those situations in which it may be appropriate.

**Question 16: Do respondents agree with the decision to retain the exception such that the auditor is not required to confirm accounts receivable when the overall account balance for accounts receivable is immaterial? If not, respondents are asked to state their reasons.**

We support the proposal to retain the exception such that the auditor is not required to confirm accounts receivable when the overall account balance for accounts receivable is immaterial. We are not aware of significant findings in this area that would support eliminating the exception. We believe the proposed language mixes concepts related to significant classes of transactions, account balances, and disclosures (in the context of risk of material misstatement) with the concept related to materiality (in the context of amount). See also our response to Question 6.

If the ASB chooses to retain the concept related to significant in the context of risk of material misstatement, the exception in paragraph .20(a) would be eliminated. We suggest reverting to the extant language in paragraph .20 as we believe revisions to existing requirements in AU-C section 330 should be considered in a holistic evaluation of AU-C section 330, including considering the IAASB's projects on ISAs 330 and 505.

Furthermore, we suggest reverting to the extant language in the body of paragraph .20 because the proposed text added to the body of paragraph .20 referring to risks of material misstatement is inconsistent with the reference in paragraph .20(a) referring to materiality.

#### **Additional observations**

We have the following observations that are not directly related to requests for comments.

- **Introductory text to Amendments to AU-C Section 330, 505, and 500:** The inclusion of introductory text to amended standards is inconsistent with the ASB's approach to other SAS, for example, SAS 138, *Amendments to the Description of the Concept of Materiality*. Because of the summarized nature of the introductory text, we do not believe it is appropriate to codify this language and we suggest the introductory text be removed from the final standard.
- **Paragraph .A55 of AU-C Section 330:** Because the second sentence of this paragraph, which contains the example, was deleted, the third sentence of this paragraph is no longer relevant. We suggest deleting this paragraph and adding the first sentence to paragraph .A53.
- **Paragraph .10 of AU-C Section 505:** We suggest changing the lead-in to this requirement to more clearly indicate that the auditor's actions minimize the likelihood of interception or alteration, as follows:
  - .10 ~~When using external confirmation procedures, the auditor should maintain control over confirmation requests, to~~ **To** minimize the likelihood that information exchanged between the auditor and the confirming party is intercepted or

altered by when using external confirmation procedures, the auditor should maintain control over confirmation requests by..."

- **Paragraph .A22 of AU-C Section 505:** The added text of "(for example, review of expected email address, including domain)" is not a system or process; it is a procedure. We suggest revising the sentence to say using "...an intermediary, system, ~~or process,~~ or procedure to that validates the respondent..."
- **Paragraph .A22 of AU-C Section 505:** We suggest replacing the phrase "review of expected email address, including domain" with "analysis of expected email address, including domain." The term "review" has an accepted meaning within the ASB's suite of standards as providing a level of assurance, and we do not believe the term is intended to be used in that same context in this paragraph.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Jeff Hughes, National Managing Partner of Audit Quality and Risk, at (404) 475-0130 or [Jeff.Hughes@us.gt.com](mailto:Jeff.Hughes@us.gt.com).

Sincerely,

/s/ Grant Thornton LLP