

Accounting & Auditing Update

PCAOB Proposes New Standard for Audit Confirmations

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The Public Company Accounting Oversight Board (PCAOB) recently issued for public comment a proposed new auditing standard, *The Auditor's Use of Confirmation*, to replace in its entirety existing AS 2310, *The Confirmation Process*. The proposed standard is designed to improve the quality of audits and to reflect changes in the means of communication and business practice since the standard was originally issued.

Overview

The proposed auditing standard includes principles-based requirements that would apply to all methods of confirmation, including paper-based and electronic communications. The PCAOB stated that the proposed standard “would better integrate its confirmation standard with its risk assessment standards.” The existing auditing standard AS 2310 hasn't changed substantially for nearly two decades.

Key Provisions

The following key provisions are included in the new standard:

- Confirming cash held by third parties is a new requirement. The existing requirement regarding confirming accounts receivable would be carried forward.
- Confirming accounts receivable is overcome when (a) the auditor can perform other substantive procedures instead of accounts receivable confirmation procedures, or (b) if the auditor determines that those other procedures provide audit evidence that is at least as persuasive as the evidence that is expected to be obtained through confirmation. This provision is intended to highlight the flexibility of the new proposed standard.
- Clarifying the use of negative confirmation requests alone does not provide sufficient appropriate audit evidence. Must include examples of situations in which the use of negative confirmation requests in combination with other substantive audit procedures may provide sufficient and appropriate audit evidence.
- Identifying situations where alternative audit procedures should be performed by the auditor when the auditor is unable to obtain audit evidence through confirmation.
- Clarifying that internal auditors cannot provide direct assistance for certain activities in the confirmation process is required.

For an in-depth discussion of the proposed auditing standard, AS 2310, *The Auditor's Use of Confirmation*, click [here](#).

Comment By Date

The PCAOB has requested public comments on the proposal by February 20, 2023.

Contact Us

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