

2024

Consultation Paper
Proposal to Revise ISA (Ireland) 505
External Confirmations

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Public trust and confidence in quality auditing and accounting



Mission

Upholding quality corporate reporting and an accountable profession

Our Values



Excellence

Striving to be the best we can be



Independence

Regulating impartially and objectively



Integrity

Being trustworthy and respectful

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1. Summary

The purpose of this consultation is to obtain stakeholders' views on IAASA's proposal to revise International Standard on Auditing (ISA) (Ireland) 505: External Confirmations and make a related conforming amendment to ISA (Ireland) 600 (Revised February 2023) Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors). In line with IAASA policy, the revisions reflect recent changes to the corresponding standard ISA (UK) 505 by the Financial Reporting Council (FRC).

The proposed effective date of the revised standard is for audits of financial statements for periods commencing on or after 15 December 2024, with early adoption permitted. This is in line with the effective date applied by the FRC in the UK.

The main proposed changes to the standard are summarised in section 3 below.

The proposed revised standard can be found [here](#).

The proposed conforming amendment to ISA (Ireland) 600 can be found [here](#).

2. Background

The ISAs (Ireland) are based on the ISAs (UK) which, in turn, are based on the corresponding standards issued by the International Auditing and Assurance Standards Board (IAASB). IAASA's policy is to make minimal amendments to the UK standards. Amendments are considered where there is a conflict with Irish or EU law or there are distinct differences between the Irish and UK markets that impact on a standard's applicability in Ireland.

The FRC issued a consultation on proposals to revise ISA (UK) 505 in May 2023 and issued the revised UK standard, conforming amendments and a feedback statement on its consultation in October 2023 (details of which can be found [here](#)).

In line with IAASA's policy to adopt the UK standards with minimal amendments, IAASA intends to adopt the revised UK standard and conforming amendments and does not propose to add any new Irish requirements.

3. Overview of proposed revisions

3.1 Revisions

The substantive revisions to ISA (Ireland) 505 which IAASA proposes to adopt are as follows:

- Clarification on what constitutes an electronic external confirmation (paragraph 6(a)). As digital means of obtaining external confirmations have become prevalent, IAASA considers it useful to clarify the requirements on the use of digital means.
- Prohibition on the use of negative external confirmations (paragraph 6(c)). It is proposed to prohibit the use of negative external confirmations, where the confirming party only responds if they disagree with the information provided in the request. This change

aims to improve the quality of evidence obtained by auditors when using external confirmations. It is our understanding that negative external confirmations are rarely used in Irish audits. Further, they are generally considered to be a less persuasive form of audit evidence than positive confirmations.

- Designing confirmations to provide evidence for relevant assertions (paragraph 7(c)). The purpose of this amendment is to remind auditors of the requirements in ISA (Ireland) 330 (Updated October 2022): The Auditor's Responses to Assessed Risks.
- Enhanced requirements concerning investigating exceptions (paragraph 14-1). The purpose of these changes is to ensure that auditors undertake sufficient further work when external confirmations do not contain the information expected. In inspections by IAASA, the work undertaken by some auditors in relation to investigating such exceptions was insufficient.

It is also proposed to amend the related application material (paragraphs A6-1 and A18).

3.2 Conforming amendment to ISA (Ireland) 600

IAASA proposes to make a conforming amendment to ISA (Ireland) 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) (Revised February 2023) to reflect the planned changes to ISA (Ireland) 505. The proposed amendment is to remind group auditors that they should communicate the prohibition on negative external confirmations to component auditors undertaking work in respect of the opinion on the group financial statements.

This amendment would not prevent the use of negative confirmations by the group auditor to agree intercompany balances where the confirmations provided by other group entities relate to amounts that are consolidated into the group financial statements.

3.3 Consideration of the Irish market and legislation

For the reasons set out Section 3.1 above, we believe that the proposed revisions to ISA (Ireland) 505 will enhance audit quality and are appropriate for adoption in Ireland.

All changes to the UK version of the standard were reviewed in detail to assess whether they should be adopted in Ireland. We did not identify any provisions that, in our view, conflict with Irish or EU law. In addition, we are not aware of any distinct differences in the Irish market that would impact the applicability of the revised standard here. As part of our consultation in Section 4 below we were seeking respondents' views as to whether there are any issues they wish to bring to IAASA's attention in these areas.

4. Matters on which IAASA is consulting

Set out below are several matters on which IAASA is seeking views by 5pm on Friday 23 February 2024.

No. Matter on which views are sought

1. Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 505?
If not, please give your reasons and describe any alternatives that you wish IAASA to consider.
2. In the context of IAASA's policy to make minimal amendments to the UK standards, are there any provisions in the proposed ISA (Ireland) 505 that conflict with Irish or EU law?
If so, please:
 - Identify the relevant legal provisions
 - Give reasons for your view
 - Describe how you believe these matters should be addressed in ISA (Ireland) 505
3. In the context of IAASA's policy to make minimal amendments to the UK standards, are there any areas where there are distinct differences between the Irish and UK markets which would impact on the applicability of the proposed amendments in Ireland?
If so, please:
 - Give your reasons
 - Identify the market sectors, entities etc. in Ireland impacted by the proposed amendment
 - Describe how you believe these matters should be addressed in ISA (Ireland) 505
4. Is the proposed effective date, i.e. for audits of financial statements for periods beginning on or after 15 December 2024, appropriate?
If not, please give reasons and indicate the effective date that you would consider appropriate.

5. Making your submission

IAASA invites comments on the proposed revision of ISA (Ireland) 505 and related conforming amendments. In particular, comments are sought on the matters set out in section 4.

Comments are most helpful if they:

- Respond directly to the question asked
- Provide a clear rationale for your position
- Provide evidence supporting your views
- Describe in detail any alternative options you wish IAASA to consider

Please submit your response using the response template available on this [link](#) or email your response to submissions@iaasa.ie by **5pm on Friday 23 February 2024**.

IAASA will consider all responses from identifiable individuals and organisations that are received by this deadline. IAASA may publish a feedback statement summarising the content of the responses. Responses may also be published in full or in part and attributed to respondents.



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