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Via E-mail: comments@pcaobus.org

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 028

Dear Office of the Secretary:

BDO USA, LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board (“PCAOB” or the “Board”) Proposed Auditing Standard - *The Auditor’s Use of Confirmation, and Other Proposed Amendments to PCAOB Standards* (the “Release”). We support the PCAOB’s efforts to modernize and improve the quality of audits when confirmation is used by the auditor and to reflect changes in the means of communication and in business practice since the standard was originally issued.

We are supportive of the proposed standard and its approach to integrate with the PCAOB’s risk assessment standards. Furthermore, the modernization of the standard to align with all methods of confirmation is appropriate given the current environment and leaves enough judgment-based application for further advances in technology and approach.

Our comments below align with the Key Provisions of the New Proposed Standard on pages 4 and 5 of the Release, as well as other matters noted in our consideration of the proposal.

Use of Negative Confirmation Requests

We agree with the clarification regarding the use of negative confirmation requests. The addition of the proposed Appendix B which provides examples of those situations where the use of negative confirmation requests in combination with the performance of other substantive audit procedures may provide sufficient appropriate audit evidence will assist auditors in applying this requirement.

Identification of Situations in which Alternative Procedures Should be Performed

We agree with the situations discussed regarding the use of alternative procedures. However, in regard to the Note at the bottom of paragraph .31, the wording of the Note could be confusing. The language used on page 41 of the Release is clearer, where it states: *“performing alternative procedures may not be necessary where items selected for confirmation for which the auditor was not able to complete audit procedures would not - if misstated - change the outcome of the auditor’s evaluation of the effect of*



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uncorrected misstatements performed in accordance with AS 2810.17.” We recommend using the language from the Release.

Clarification of Activities for which the Auditor May Not Use Internal Auditors

AS 2605, *The Auditor’s Consideration of the Internal Audit Function*, allows internal audit to perform tests of controls or substantive tests and requires the auditor to supervise, review, evaluate, and test the work performed by internal audit. We agree with the intent of the new standard to ensure the auditor maintains control over the confirmation process.

Other Matters

Designing Confirmation Request

We agree with the standard’s approach to an agnostic form of confirmation (paper or electronic). The inclusion of factors the auditor may consider in assessing the reliability and accuracy of the addressed confirming party, especially as it relates to electronic confirmations (i.e. how might an auditor ensure the noted email address is appropriate prior to sending the confirmation) would further promote consistent quality in auditor’s addressing this critical factor of a confirmation.

Use of Intermediaries

We agree with the requirements in the new proposed standard to evaluate the implications of using an intermediary to facilitate direct electronic transmission of confirmation requests and responses. While we appreciate that the proposed standard provides for flexibility and auditor judgment in obtaining an understanding of the intermediary’s controls that address the risk of interception and alteration of the confirmation requests and responses, and determining that the relevant controls used by the intermediary are designed and operating effectively, we recommend providing additional application guidance or examples of how these requirements would be applied in practice under different facts and circumstances. Specifically, we recommend providing additional examples within proposed Appendix B (paragraph .B2) of the type of procedures that the auditor could perform to meet these objectives, including those listed on pages 35 and 36 of the Release, which notes that the auditor could: (i) use, where available, an independent service auditor’s report on service organization controls that evaluates the design and operating effectiveness of the relevant controls at the intermediary; or (ii) test the intermediary’s controls that address the risk of interception and alteration directly; and that the auditor’s evaluation of the intermediary’s controls could be performed by an engagement team, an audit firm’s national office, or combination of both.

Additionally, we believe it would also be helpful if the term ‘intermediary’ was clarified and included in Appendix A Definitions. For example, certain financial institutions have their own confirmation process which may require that an entity initiates that process. In



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such a case, or similar situations, a framework to understand whether requirements instituted by the confirming party would make them an intermediary would be helpful.

Other Persuasive Evidence

We believe that the use of the term “as persuasive as” in paragraph .14 with regards to evidence obtained from other substantive procedures is not consistent with a risk-based approach. As stated on page 54 of the Release it is presumed that confirmations are “among the most persuasive forms of audit evidence.” By requiring that the evidence needed is as robust as that which a positive confirmation provides insinuates that all these accounts are of greater inherent risk. As such, the professional judgement used to obtain evidence that meets the level of persuasion needed in response to the auditors’ assessment of the risk of material misstatement is rendered obsolete.

Proposed Effective Date

We believe that an effective date for audits of fiscal years beginning on or after December 15, 2024 would allow for an effective implementation. This proposal has both methodology and operational implications that begin in the planning stages of the audit. This will necessitate updates to firm materials and other support prior to the beginning of the audit cycle.

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We appreciate your consideration of our comments and suggestions and would be pleased to discuss them with you at your convenience. Please direct any questions to Ashwin Chandran at 214-689-5667 (achandran@bdo.com), or James D’Arcangelo at 203-905-6234 (jdarcangelo@bdo.com).

Very truly yours,

BDO USA, LLP

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