



Date: 27 August, 2010

Ref no: 14-2008-0111

Description of content of ISSAI 1505

External Confirmations

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1505 is comprised of International Standard on Auditing (ISA) 505 – External Confirmations, and a corresponding Practice Note. The ISA and the Practice Note are read together.

Authority

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

Description of the ISA

ISA 505 deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of ISA 330¹ and ISA 500². It does not address inquiries regarding litigation and claims, which are dealt with in ISA 501³.

Objective of the auditor in terms of the ISA

The objective of the auditor, when using external confirmation procedures, is to design and perform such procedures to obtain relevant and reliable audit evidence.

Among other matters, the requirements in this ISA deal with:

- a. The need to maintain control over external confirmation requests.
- b. The situation where management refuses to allow the auditor to send a confirmation request.

¹ ISA 330, The Auditor's Responses to Assessed Risks.

² ISA 500, Considering the Relevance and Reliability of Audit Evidence.

³ ISA 501, Audit Evidence – Specific Considerations for Selected Items.

- c. The reliability of responses to confirmation requests.
- d. Non-responses to positive confirmation requests.
- e. Exceptions.
- f. Negative confirmations.
- g. Evaluating the evidence obtained.

Description of the Practice Note

The Practice Notes provides supplementary guidance for auditors applying ISA 505 when conducting financial audits of public sector entities.

Content of the Practice Note

The Practice Note provides additional guidance for public sector auditors related to:

- a. Public sector considerations in relation to external confirmation procedures to obtain audit evidence.
- b. Management's refusal to allow the auditor to send a confirmation request.