

17 February 2023

Office of the Secretary  
Public Company Accounting  
Oversight Board  
1666 K Street  
N. W. Washington  
D.C. 20006-2803

submitted via email to [comments@pcaobus.org](mailto:comments@pcaobus.org)

Institut der Wirtschaftsprüfer  
in Deutschland e. V.

Wirtschaftsprüferhaus  
Tersteegenstraße 14  
40474 Düsseldorf  
Postfach 32 05 80  
40420 Düsseldorf

TELEFONZENTRALE:  
+49 (0) 211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:  
+49 (0) 211 / 4 54 10 97

INTERNET:  
[www.idw.de](http://www.idw.de)

E-MAIL:  
[info@idw.de](mailto:info@idw.de)

BANKVERBINDUNG:  
Deutsche Bank AG Düsseldorf  
IBAN: DE53 3007 0010 0748 0213 00  
BIC: DEUTDE33XXX  
UST-ID Nummer: DE119353203

**Re.: PCAOB Rulemaking Docket Matter No. 028  
PCAOB Release No.2022-009 of December 20, 2022 “Proposed Auditing  
Standard – The Auditor’s Use of Confirmation, and Other Proposed  
Amendments to PCAOB Standards”**

Dear Madam, dear Sir,

Following the submission of our comments on the Rulemaking Docket Matter No.028 PCAOB Release No. 2010-003 “Proposed Auditing Standard related to Confirmation and Related Amendments to PCAOB Standards” in a letter dated 13 September 2010 and PCAOB Release No. 2009-002 “Concept Release on Possible Revisions to the PCAOB’s Standard on Audit Confirmations” in a letter dated 29 May 2009, we would like to thank you for the opportunity to provide the PCAOB with comments on the PCAOB Release No. 2022-006 (hereinafter “the Release”).

In this letter, we address the key issues with which our members have concerns. We have chosen not to respond to specific questions; however, we have indicated where our comments are relevant to specific questions.

**Alignment of the PCAOB’s Auditing Standards with corresponding ISAs (No question)**

The IDW has repeatedly commented to the PCAOB in previous correspondence, that, in the interests of global comparability, differences of substance between the PCAOB’s auditing standards and those of the IAASB should be minimised where possible, deriving solely from U.S.-specific legal

GESCHÄFTSFÜHRENDER VORSTAND:  
Prof. Dr. Klaus-Peter Naumann,  
WP StB, Sprecher des Vorstands;  
Melanie Sack, WP StB,  
stv. Sprecherin des Vorstands;  
Dr. Torsten Moser, WP

Amtsgericht Düsseldorf  
Vereinsregister VR 3850

**Page 2/4** to the letter to the PCAOB of 17 February 2023

requirements. We refer to the aforementioned letter dated 13 September 2010 in which we explain the reasons behind this stance, which include concerns that the standards issued by the PCAOB are overly rules-based (i.e., our concern is that the exercise of professional judgement by an auditor is increasingly restricted, leading auditors to adopt a “checklist” approach rather than use the “thinking mentality” essential in exercising appropriate professional judgment and thus potentially detrimental to audit quality).

Proposed Retention of the Presumption in the Board’s Interim Standards and Requirements to Perform Confirmation Procedures (Questions 2, 5, 7, 14, 15, 17, 19, 20 and 21)

We refer to our aforementioned letters in which we expressed concerns about the retention of the presumption that the auditor’s confirmation procedures will apply to accounts receivable. In our letter dated 29 May 2009, we had specifically noted our agreement with the comments of those members of the PCAOB’s SAG who had indicated that auditors should determine which procedures to perform based on the assessed level of risk for the relevant assertions for each account. We are still of the opinion that the more principles-based ISA requirement in ISA 330, which follows the audit risk approach, whereby the auditor has to “... consider whether confirmation procedures are to be performed...” has the advantage that an auditor must give due consideration to a comprehensive range of possible confirmations relevant in the particular engagement circumstances, and their consideration will not be biased by presumptions or lack of presumptions, respectively, but constitutes instead a response to the assessed risk of material misstatement. The application of an auditor’s professional judgment in determining the appropriateness and scope of confirmations to be sought, when applied properly, will enhance audit quality more than the “tick the box” approach likely to result from a widening of the extant presumption on the part of the PCAOB and the proposed requirement to perform confirmation procedures.

Although we appreciate that in the vast majority of audit circumstances confirmations may well be the most effective audit procedure, and their extensive use would be common in many jurisdictions and in many industries, our concern is that this aspect of the PCAOB’s proposal not only fosters the checklist approach mentioned above, but will also require audit resources to be expended for the sake of compliance without any attaching enhancement of audit quality. Notwithstanding the acknowledgement proposed in para. 14 that an auditor may overcome the presumption to confirm accounts receivable, the

**Page 3/4** to the letter to the PCAOB of 17 February 2023

work effort to “prove” the required basis for the auditor’s determination is a wasted use of resources; communicating instances of where the auditor has overcome the presumption to the audit committee together with this basis serves no purpose in terms of a tangible improvement to audit quality. Similarly, when the auditor is able to obtain relevant and reliable audit evidence by performing alternative audit procedures, we see no benefit in terms of audit quality of explaining such instances of overcoming the presumption as a Critical Audit Matter in the auditor’s report. Indeed, we remain concerned that if, and to the extent that, the proposals could result in auditors seeking to be seen to comply with the letter of the standard rather than focussing on performing those alternative procedures that would be the most effective ones in the particular audit circumstances, this lack of flexibility may be detrimental to audit quality.

#### The Auditor Lacks Power to Obtain Responses (Question 1)

As we have previously noted, neither auditor confirmation procedures nor rules-based auditing standards can compel external parties to respond to confirmation requests or to verify the information therein before responding.

The proposals in this Release will solve neither the practical problems that in some industries responses are generally not forthcoming nor will they be effective when collusion is at play (The note below para. 18 would not help; indeed it would exacerbate the problem in the event of collusion if management supplies the name of a contact with whom management is in collusion).

As previously suggested, we would like to suggest the Board consider whether, in future, legislative or regulatory measures might be taken to improve third party cooperation with requesting auditors. For example, we wonder whether consideration ought to be given to the possibility that the SEC could specifically require all registrants to cooperate with auditor requests for confirmations.

#### Possible Validity of Oral Responses (Questions 3, 28, 29 and 37)

The proposals specifically classify all oral confirmations as nonresponses. This seems inappropriate given that – provided relevant legal requirements governing consent are adhered to – recordings of oral confirmations could be made. We suggest that a (video) recording of a call between an auditor and a named individual working for the party asked to reply to a confirmation request ought not to be considered less reliable audit evidence than a written response from an unknown individual from a confirming party. A call with a representative

**Page 4/4** to the letter to the PCAOB of 17 February 2023

from the confirming party may facilitate a thorough reconciliation between the records of the audit client and the confirming party that would satisfy the auditor's need for sufficient audit evidence that confirmation has been given. If the confirming party neglects to follow up in writing or for other reasons no written response reaches the auditor, it would be counterproductive for AS 2310 to negate the reliability of a successful reconciliation leading to the oral confirmation.

We therefore suggest the PCAOB consider amending the proposed definitions of "confirmation response" and "nonresponse" so as not to specifically exclude oral responses that can be properly recorded in accordance with prevailing consent legislation. Similarly, in this context, the proposed amendments to AS 1105 should be reconsidered.

#### Effective Date (Questions 48 and 49)

As confirmation procedures may be used during the period subject to audit or to confirm period end balances and transactions, we are concerned that the proposed approach to setting an effective date may be overly tight.

We would be pleased to provide you with further information if you have any additional questions about our response, and would be pleased to be able to discuss our views with you.

Yours truly,

Melanie Sack  
Executive Director

Gillian Waldbauer  
Head of International Affairs