AU-C Section 505

External Confirmations

Source: SAS No. 122.

Effective for audits of financial statements for periods ending on or after December 15, 2012.

Introduction

Scope of This Section

.01 This section addresses the auditor’s use of external confirmation procedures to obtain audit evidence, in accordance with the requirements of section 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, and section 500, Audit Evidence. It does not address inquiries regarding litigation, claims, and assessments, which are addressed in section 501, Audit Evidence—Specific Considerations for Selected Items.

External Confirmation Procedures to Obtain Audit Evidence

.02 Section 500 indicates that the reliability of audit evidence is influenced by its source and nature and is dependent on the individual circumstances under which it is obtained.\(^1\) Section 500 also includes the following generalizations applicable to audit evidence:\(^2\)

- Audit evidence is more reliable when it is obtained from independent sources outside the entity.
- Audit evidence obtained directly by the auditor is more reliable than audit evidence obtained indirectly or by inference.
- Audit evidence is more reliable when it exists in documentary form, whether paper, electronic, or other medium.

Accordingly, depending on the circumstances of the audit, audit evidence in the form of external confirmations received directly by the auditor from confirming parties may be more reliable than evidence generated internally by the entity. This section is intended to assist the auditor in designing and performing external confirmation procedures to obtain relevant and reliable audit evidence.

.03 Other AU-C sections recognize the importance of external confirmations as audit evidence; for example

- section 330 discusses the auditor’s responsibility (a) to design and implement overall responses to address the assessed risks of material misstatement at the financial statement level and (b) to design and perform further audit procedures whose nature, timing, and extent are based on, and are responsive to, the assessed

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\(^1\) Paragraph .A5 of section 500, Audit Evidence.

\(^2\) Paragraph .A32 of section 500.
risks of material misstatement at the relevant assertion level.\textsuperscript{3} In addition, section 330 requires that, irrespective of the assessed risks of material misstatement, the auditor design and perform substantive procedures for all relevant assertions related to each material class of transactions, account balance, and disclosure.\textsuperscript{4} The auditor is required to consider whether external confirmation procedures are to be performed as substantive audit procedures and is required to use external confirmation procedures for accounts receivable unless

- the overall account balance is immaterial,
- external confirmation procedures would be ineffective, or
- the auditor's assessed level of risk of material misstatement at the relevant assertion level is low, and the other planned substantive procedures address the assessed risk.\textsuperscript{5}

- section 330 requires that the auditor obtain more persuasive audit evidence the higher the auditor's assessment of risk.\textsuperscript{6} To do this, the auditor may increase the quantity of the evidence or obtain evidence that is more relevant or reliable, or both. For example, the auditor may place more emphasis on obtaining evidence directly from third parties or obtaining corroborating evidence from a number of independent sources. Section 330 also indicates that external confirmation procedures may assist the auditor in obtaining audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error.\textsuperscript{7}

- section 240, Consideration of Fraud in a Financial Statement Audit, indicates that the auditor may design confirmation requests to obtain additional corroborative information as a response to address the assessed risks of material misstatement due to fraud at the assertion level.\textsuperscript{8}

- section 500 indicates that corroborating information obtained from a source independent of the entity (such as external confirmations) may increase the assurance the auditor obtains from evidence existing within the accounting records or representations made by management.\textsuperscript{9}

**Effective Date**

.04 This section is effective for audits of financial statements for periods ending on or after December 15, 2012.

\textsuperscript{3} Paragraphs .05–.06 of section 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained.

\textsuperscript{4} Paragraph .18 of section 330.

\textsuperscript{5} Paragraphs .19–.20 of section 330.

\textsuperscript{6} Paragraph .07b of section 330.

\textsuperscript{7} Paragraph .A58 of section 330.

\textsuperscript{8} Paragraph .A43 of section 240, Consideration of Fraud in a Financial Statement Audit.

\textsuperscript{9} Paragraph .A8 of section 500.
Objective

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

Definitions

.06 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Exception. A response that indicates a difference between information requested to be confirmed, or contained in the entity’s records, and information provided by the confirming party.

External confirmation. Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), either in paper form or by electronic or other medium (for example, through the auditor’s direct access to information held by a third party). (Ref: par. .A1)

Negative confirmation request. A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.

Nonresponse. A failure of the confirming party to respond, or fully respond, to a positive confirmation request or a confirmation request returned undelivered.

Positive confirmation request. A request that the confirming party respond directly to the auditor by providing the requested information or indicating whether the confirming party agrees or disagrees with the information in the request.

Requirements

External Confirmation Procedures

.07 When using external confirmation procedures, the auditor should maintain control over external confirmation requests, including

a. determining the information to be confirmed or requested; (Ref: par. .A2)

b. selecting the appropriate confirming party; (Ref: par. .A3)

c. designing the confirmation requests, including determining that requests are properly directed to the appropriate confirming party and provide for being responded to directly to the auditor; and (Ref: par. .A4–.A7)

d. sending the requests, including follow-up requests, when applicable, to the confirming party. (Ref: par. .A8)

Management’s Refusal to Allow the Auditor to Perform External Confirmation Procedures

.08 If management refuses to allow the auditor to perform external confirmation procedures, the auditor should
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a. inquire about management’s reasons for the refusal and seek audit evidence about their validity and reasonableness; (Ref: par. .A9)

b. evaluate the implications of management’s refusal on the auditor’s assessment of the relevant risks of material misstatement, including the risk of fraud, and on the nature, timing, and extent of other audit procedures; and (Ref: par. .A10)

c. perform alternative audit procedures designed to obtain relevant and reliable audit evidence. (Ref: par. .A11)

.09 If the auditor concludes that management's refusal to allow the auditor to perform external confirmation procedures is unreasonable or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures, the auditor should communicate with those charged with governance, in accordance with section 260, The Auditor’s Communication With Those Charged With Governance. The auditor also should determine the implications for the audit and the auditor's opinion, in accordance with section 705, Modifications to the Opinion in the Independent Auditor’s Report.

Results of the External Confirmation Procedures

Reliability of Responses to Confirmation Requests

.10 If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, the auditor should obtain further audit evidence to resolve those doubts. (Ref: par. .A12–.A22)

.11 If the auditor determines that a response to a confirmation request is not reliable, the auditor should evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing, and extent of other audit procedures. (Ref: par. .A23)

Nonresponses and Oral Responses

.12 In the case of each nonresponse, the auditor should perform alternative audit procedures to obtain relevant and reliable audit evidence. (Ref: par. .A24–.A27)

When a Written Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence

.13 If the auditor has determined that a written response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence, alternative audit procedures will not provide the audit evidence the auditor requires. If the auditor does not obtain such confirmation, the auditor should determine the implications for the audit and the auditor's opinion, in accordance with section 705. (Ref: par. .A28–.A29)

Exceptions

.14 The auditor should investigate exceptions to determine whether they are indicative of misstatements. (Ref: par. .A30–.A31)

10 Paragraph .12 of section 260, The Auditor’s Communication With Those Charged With Governance.
Negative Confirmations

.15 Negative confirmations provide less persuasive audit evidence than positive confirmations. Accordingly, the auditor should not use negative confirmation requests as the sole substantive audit procedure to address an assessed risk of material misstatement at the assertion level, unless all of the following are present:

a. The auditor has assessed the risk of material misstatement as low and has obtained sufficient appropriate audit evidence regarding the operating effectiveness of controls relevant to the assertion.

b. The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous account balances, transactions, or conditions.

c. A very low exception rate is expected.

d. The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests. (Ref: par. .A32)

Evaluating the Evidence Obtained

.16 The auditor should evaluate whether the results of the external confirmation procedures provide relevant and reliable audit evidence or whether further audit evidence is necessary. (Ref: par. .A33–.A34)

Application and Other Explanatory Material

Definitions

External Confirmation (Ref: par. .06)

.A1 The auditor's direct access to information held by a third party (the confirming party) may meet the definition of an external confirmation when, for example, the auditor is provided by the confirming party with the electronic access codes or information necessary to access a secure website where data that addresses the subject matter of the confirmation is held. The auditor's access to information held by the confirming party may also be facilitated by a third-party service provider. When access codes or information necessary to access the confirming party's data is provided to the auditor by management, evidence obtained by the auditor from access to such information does not meet the definition of an external confirmation.

External Confirmation Procedures

Determining the Information to Be Confirmed or Requested (Ref: par. .07a)

.A2 External confirmation procedures frequently are performed to confirm or request information regarding account balances, elements thereof, and disclosures. They also may be used to confirm the terms of agreements, contracts, or transactions between an entity and other parties or to confirm the absence of certain conditions, such as a "side agreement."

Selecting the Appropriate Confirming Party (Ref: par. .07b)

.A3 Responses to confirmation requests provide more relevant and reliable audit evidence when confirmation requests are sent to a confirming party.
who the auditor believes is knowledgeable about the information to be confirmed. For example, a financial institution official who is knowledgeable about the transactions or arrangements for which confirmation is requested may be the most appropriate person at the financial institution from whom to request confirmation.

### Designing Confirmation Requests (Ref: par. .07c)

**A4** The design of a confirmation request may directly affect the confirmation response rate and the reliability and nature of the audit evidence obtained from responses.

**A5** Factors to consider when designing confirmation requests include the following:

- The assertions being addressed.
- Specific identified risks of material misstatement, including fraud risks.
- The layout and presentation of the confirmation request.
- Prior experience on the audit or similar engagements.
- The method of communication (for example, in paper form or by electronic or other medium).
- Management's authorization or encouragement to the confirming parties to respond to the auditor. Confirming parties may only be willing to respond to a confirmation request containing management's authorization.
- The ability of the intended confirming party to confirm or provide the requested information (for example, individual invoice amount versus total balance).

**A6** A positive external confirmation request asks the confirming party to reply to the auditor in all cases, either by indicating the confirming party's agreement with the given information or asking the confirming party to provide information. A response to a properly designed positive confirmation request ordinarily is expected to provide reliable audit evidence. A risk exists, however, that a confirming party may reply to the confirmation request without verifying that the information is correct. The auditor may reduce this risk by using positive confirmation requests that do not state the amount (or other information) on the confirmation request and that ask the confirming party to fill in the amount or furnish other information. On the other hand, use of this type of "blank" confirmation request may result in lower response rates because additional effort is required from the confirming parties to provide the requested information.

**A7** Determining that requests are properly addressed includes verifying the accuracy of the addresses, including testing the validity of some or all of the addresses on the confirmation requests before they are sent out, regardless of the confirmation method used. When a confirmation request is sent by e-mail, the auditor's determination that the request is being properly directed to the appropriate confirming party may include performing procedures to test the validity of some or all of the e-mail addresses supplied by management. The nature and extent of the necessary procedures is dependent on the risks associated with the particular type of confirmation or address. For example, a confirmation addressing a higher risk assertion or a confirmation address that appears to be potentially less reliable (for example, an electronic confirmation addressed in a manner that appears easier to falsify) may necessitate different
or more extensive procedures to determine that the request is directed to the intended recipient. See further guidance in paragraphs .A14–.A15.

Follow-Up on Confirmation Requests (Ref: par. .07d)

.A8 The auditor may send an additional confirmation request when a reply to a previous request has not been received within a reasonable time. For example, the auditor may, having reverified the accuracy of the original address, send an additional or follow-up request.

Management’s Refusal to Allow the Auditor to Perform External Confirmation Procedures

Reasonableness of Management’s Refusal (Ref: par. .08a)

.A9 A refusal by management to allow the auditor to perform external confirmation procedures is a limitation on the audit evidence the auditor seeks to obtain; therefore, the auditor is required to inquire about the reasons for the limitation. A common reason offered by management is the existence of a legal dispute or ongoing negotiation with the intended confirming party, the resolution of which may be affected by an untimely confirmation request. The auditor is required to seek audit evidence about the validity and reasonableness of the reasons for management’s refusal because of the risk that management may be attempting to deny the auditor access to audit evidence that may reveal fraud or error.

Implications for the Assessment of Risks of Material Misstatement (Ref: par. .08b)

.A10 The auditor may conclude from the evaluation in paragraph .08b that it would be appropriate to revise the assessment of the risks of material misstatement at the assertion level and modify planned audit procedures, in accordance with section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement. ¹¹ For example, if management’s request to not confirm is unreasonable, this may indicate a fraud risk factor that requires evaluation, in accordance with section 240. ¹²

Alternative Audit Procedures (Ref: par. .08c)

.A11 The alternative audit procedures performed may be similar to those appropriate for a nonresponse, as set out in paragraphs .A24–.A27. Such procedures also would take into account the results of the auditor’s evaluation in paragraph .08b.

Results of the External Confirmation Procedures

Reliability of Responses to Confirmation Requests (Ref: par. .10)

.A12 Section 500 indicates that even when audit evidence is obtained from sources external to the entity, circumstances may exist that affect its reliability. ¹³ All responses carry some risk of interception, alteration, or fraud. Such risk exists regardless of whether a response is obtained in paper form

¹¹ Paragraph .32 of section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement.

¹² Paragraph .24 of section 240.

¹³ Paragraph .A32 of section 500.
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or by electronic or other medium. Factors that may indicate doubts about the reliability of a response include whether it

• was received by the auditor indirectly or
• appeared not to come from the originally intended confirming party.

.A13 The auditor's consideration of the reliability of the information obtained through the confirmation process to be used as audit evidence includes consideration of the risks that

a. the information obtained may not be from an authentic source,

b. a respondent may not be knowledgeable about the information to be confirmed, and

c. the integrity of the information may have been compromised.

When an electronic confirmation process or system is used, the auditor's consideration of the risks described in a–c includes the consideration of risks that the electronic confirmation process is not secure or is improperly controlled.

.A14 Responses received electronically (for example, by fax or e-mail) involve risks relating to reliability because proof of origin or identity of the confirming party may be difficult to establish, and alterations may be difficult to detect. The auditor may determine that it is appropriate to address such risks by utilizing a system or process that validates the respondent or by directly contacting the purported sender (for example, by telephone) to validate the identity of the sender of the response and to validate that the information received by the auditor corresponds to what was transmitted by the sender.

.A15 An electronic confirmation system or process that creates a secure confirmation environment may mitigate the risks of interception or alteration. Creating a secure confirmation environment depends on the process or mechanism used by the auditor and the respondent to minimize the possibility that the results will be compromised because of interception or alteration of the confirmation. If the auditor is satisfied that such a system or process is secure and properly controlled, evidence provided by responses received using the system or process may be considered reliable. Various means might be used to validate the source of the electronic information. For example, the use of encryption, electronic digital signatures, and procedures to verify website authenticity may improve the security of the electronic confirmation system or process. If a system or process that facilitates electronic confirmation between the auditor and the respondent is in place and the auditor plans to rely on the controls over such a system or process, an assurance trust services report (for example, Systrust) or another assurance report on that system or process may assist the auditor in assessing the design and operating effectiveness of the electronic and manual controls with respect to that system or process. Such an assurance report may address the risks described in paragraph .A13. If these risks are not adequately addressed in such a report, the auditor may perform additional procedures to address those risks.

.A16 The auditor is required by section 500 to determine whether to modify or add procedures to resolve doubts over the reliability of information to be used as audit evidence.14 The auditor may choose to verify the source and contents of a response to a confirmation request by contacting the confirming party (for example, as described in paragraph .A14). When a response has been returned to the auditor indirectly (for example, because the confirming party incorrectly

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14 Paragraph .10 of section 500.
addressed it to the entity rather than the auditor), the auditor may request the confirming party to respond in writing directly to the auditor.

**Disclaimers and Other Restrictions in Confirmation Responses**

.A17 A response to a confirmation request may contain restrictive language regarding its use. Such restrictions do not necessarily invalidate the reliability of the response as audit evidence. Whether the auditor may rely on the information confirmed and the degree of such reliance will depend on the nature and substance of the restrictive language.

.A18 Restrictions that appear to be boilerplate disclaimers of liability may not affect the reliability of the information being confirmed. Examples of such disclaimers may include the following:

- Information is furnished as a matter of courtesy without a duty to do so and without responsibility, liability, or warranty, express or implied.
- The reply is given solely for the purpose of the audit without any responsibility on the part of the respondent, its employees, or its agents, and it does not relieve the auditor from any other inquiry or the performance of any other duty.

.A19 Other restrictive language also may not affect the reliability of a response if it does not relate to the assertion being tested. For example, in a confirmation of investments, a disclaimer regarding the valuation of the investments may not affect the reliability of the response if the auditor's objective in using the confirmation request is to obtain audit evidence regarding whether the investments exist.

.A20 Certain restrictive language may, however, cast doubt about the completeness or accuracy of the information contained in the response or on the auditor's ability to rely on such information. Examples of such restrictions may include the following:

- Information is obtained from electronic data sources, which may not contain all information in the respondent's possession.
- Information is not guaranteed to be accurate nor current and may be a matter of opinion.
- The recipient may not rely upon the information in the confirmation.

.A21 When the auditor has doubts about the reliability of the response as a result of restrictive language, then, in accordance with paragraph .10, the auditor is required to obtain further audit evidence to resolve those doubts. When the practical effect of the restrictive language is difficult to ascertain in the particular circumstances, the auditor may consider it appropriate to seek clarification from the respondent or seek legal advice.

.A22 If the auditor is unable to resolve the doubts about the reliability of a response as a result of restrictive language, then, in accordance with paragraph .11, the auditor is required to evaluate the implications on the assessment of the relevant risks of misstatement, including the risk of fraud, and on the related nature, timing, and extent of other audit procedures. The nature, timing, and extent of such procedures will depend on factors such as the nature of the financial statement item, the assertion being tested, the nature and substance of the restrictive language, and relevant information obtained through other audit procedures.
Unreliable Responses (Ref: par. .11)

.A23 When the auditor concludes that a response is unreliable, the auditor may need to revise the assessment of the risks of material misstatement at the assertion level and modify planned audit procedures accordingly, in accordance with section 315.15 For example, an unreliable response may indicate a fraud risk factor that requires evaluation, in accordance with section 240.16

Nonresponses and Oral Responses (Ref: par. .12)

.A24 The nature and extent of alternative procedures are affected by the account and assertion in question. Examples of alternative audit procedures the auditor may perform include the following:

- For accounts receivable balances, examining specific subsequent cash receipts (including matching such receipts with the actual items being paid), shipping documentation, or other client documentation providing evidence for the existence assertion

- For accounts payable balances, examining subsequent cash disbursements or correspondence from third parties and other records, such as receiving reports and statements that the client receives from vendors providing evidence for the completeness assertion

.A25 A nonresponse to a confirmation request may indicate a previously unidentified risk of material misstatement. In such situations, the auditor may need to revise the assessed risk of material misstatement at the assertion level and modify planned audit procedures, in accordance with section 315.17 For example, a fewer or greater number of responses to confirmation requests than anticipated may indicate a previously unidentified fraud risk factor that requires evaluation, in accordance with section 240.18

.A26 The auditor may determine that it is not necessary to perform additional alternative audit procedures beyond the evaluation of the confirmation results if such evaluation indicates that relevant and reliable audit evidence has already been obtained. This may be the case when testing for overstatement of amounts and (a) the nonresponses in the aggregate, projected as 100 percent misstatements to the population and added to the sum of all other unadjusted differences, would not affect the auditor's decision about whether the financial statements are materially misstated and (b) the auditor has not identified unusual qualitative factors or systematic characteristics related to the nonresponses, such as that all nonresponses pertain to year-end transactions.

.A27 An oral response to a confirmation request does not meet the definition of an external confirmation because it is not a direct written response to the auditor. Provided that the auditor has not concluded that a direct written response to a positive confirmation is necessary to obtain sufficient appropriate audit evidence, the auditor may take the receipt of an oral response to a confirmation request into consideration when determining the nature and extent of alternative audit procedures required to be performed for nonresponses, in accordance with paragraph .12. The auditor may perform additional procedures to address the reliability of the evidence provided by the oral response, such as initiating a call to the respondent using a telephone number that the auditor

15 Paragraph .32 of section 315.
16 Paragraph .24 of section 240.
17 Paragraph .32 of section 315.
18 Paragraph .24 of section 240.
has independently verified as being associated with the entity. For example, the auditor might call the main telephone number obtained from a reliable source and ask to be directed to the named respondent instead of calling a direct extension provided by the client or included in the statement or other correspondence received by the entity. The auditor may determine that the additional evidence provided by contacting the respondent directly, together with the evidence upon which the original confirmation request is based (for example, a statement or other correspondence received by the entity), is sufficient appropriate audit evidence. In appropriately documenting the oral response, the auditor may include specific details, such as the identity of the person from whom the response was received, his or her position, and the date and time of the conversation.

When a Written Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence (Ref: par. .13)

.A28 In certain circumstances, the auditor may identify an assessed risk of material misstatement at the assertion level for which a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence. Such circumstances may include the following:

- The information available to corroborate management’s assertion(s) is only available outside the entity.
- Specific fraud risk factors, such as the risk of management override of controls or the risk of collusion, which can involve employee(s) or management, or both, prevent the auditor from relying on evidence from the entity.

.A29 When the auditor has determined that a written response is necessary to obtain sufficient appropriate audit evidence and the auditor has obtained only an oral response to a confirmation request, the auditor may request the confirming party to respond in writing directly to the auditor. If no such response is received, in accordance with paragraph .13, alternative audit procedures will not provide the audit evidence the auditor requires, and the auditor is required to determine the implications for the audit and the auditor’s opinion, in accordance with section 705.

Exceptions (Ref: par. .14)

.A30 Exceptions noted in responses to confirmation requests may indicate misstatements or potential misstatements in the financial statements. When a misstatement is identified, the auditor is required by section 240 to evaluate whether such misstatement is indicative of fraud. Exceptions may provide a guide to the quality of responses from similar confirming parties or for similar accounts. Exceptions also may indicate a deficiency, or deficiencies, in the entity’s internal control over financial reporting.

.A31 Some exceptions do not represent misstatements. For example, the auditor may conclude that differences in responses to confirmation requests are due to timing, measurement, or clerical errors in the external confirmation procedures.

Negative Confirmations (Ref: par. .15)

.A32 The failure to receive a response to a negative confirmation request does not indicate receipt by the intended confirming party of the confirmation request or verification of the accuracy of the information contained in the

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19 Paragraph .35 of section 240.
request. Accordingly, a failure of a confirming party to respond to a negative confirmation request provides significantly less persuasive audit evidence than does a response to a positive confirmation request. Confirming parties also may be more likely to respond indicating their disagreement with a confirmation request when the information in the request is not in their favor but less likely to respond otherwise. For example, holders of bank deposit accounts may be more likely to respond if they believe that the balance in their account is understated in the confirmation request but less likely to respond when they believe the balance is overstated. Therefore, sending negative confirmation requests to holders of bank deposit accounts may be a useful procedure in considering whether such balances may be understated but is unlikely to be effective if the auditor is seeking evidence regarding overstatement.

Evaluating the Evidence Obtained (Ref: par. .16)

.A33 When evaluating the results of individual external confirmation requests, the auditor may categorize such results as follows:

a. A response by the appropriate confirming party indicating agreement with the information provided in the confirmation request or providing requested information without exception

b. A response deemed unreliable

c. A nonresponse

d. A response indicating an exception

.A34 The auditor's evaluation, when taken into account with other audit procedures the auditor may have performed, may assist the auditor in concluding whether sufficient appropriate audit evidence has been obtained or whether further audit evidence is necessary, as required by section 330.\(^{20}\)

\(^{20}\) Paragraphs .28–.29 of section 330.