



Alert

Updates on financial reporting, auditing and ethics



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Dear members and member firms,

Online audit confirmation tools

It is a matter of professional judgement whether external confirmation procedures are to be performed as substantive audit procedures as stated in HKSA 330 *The Auditor's Responses to Assessed Risks*.

The use of technology within the external audit process in Hong Kong is continuing to expand. An example of this is the growing use of web-based platforms to receive and respond to external audit bank confirmation requests as detailed under HKSA 505 *External Confirmations*.

While technology provides audit firms with opportunities to become more productive and efficient in completing the audit, it remains paramount that the requirements of auditing standards are complied with.

We have received enquiries from members asking whether HKSA 505 allows the use of electronic platforms for the process of bank confirmations (e.g. the platform Confirmation.com). HKSA 505 does not mandate a specific method of carrying out bank confirmations but focuses on the principles that auditors should adhere to and apply to any method of facilitating the process. Indeed, the application material in HKSA 505 addresses receipt of confirmations by electronic means.

Therefore, if the auditor is satisfied that the process is secure and properly controlled and that the key principles of HKSA 505 are met, the auditor can use electronic platforms to carry out external audit bank confirmation procedures.

Sincere regards,

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