

Q1. I have a client who is residing overseas. My client does not provide full set of accounting records and only provides images of invoices and other supporting documents for audit purpose. Is this audit practice acceptable?

Reply: *As a basis for the auditor's opinion, an auditor shall obtain sufficient appropriate audit evidence. Appropriateness of the audit evidence is affected by the reliability of the information obtained. Therefore, auditor shall consider the reliability of the information to be used as audit evidence and assess their implication on reliability of the evidence in individual cases.*

HKSA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing" states that an audit in accordance with HKSAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the audit. Those responsibilities include providing the auditor with access to all information that was relevant to the preparation of the financial statements such as records, documentation and other matters that the auditor may request.

If management has imposed a limitation on the scope of audit relating to the accessibility of financial information, an auditor shall refer to HKSA 705 "Modifications to the Opinion in the Independent Auditor's Report" which provides the requirements that a certified public accountant should follow when dealing with a scope limitation.

Q2. If a disclaimer of opinion had been expressed to a client for several years, can I still continue to provide audit work to that client?

Reply: *In carrying out an audit, auditors should use best endeavors to obtain sufficient, relevant and reliable audit evidence to enable them to express an appropriate opinion. Auditors' duties are not necessarily precluded by modifying the audit opinion on the associated financial statements.*

In the past, the Institute had taken action against an auditor who was found to have misused qualified opinions to circumvent necessary audit procedures. In that case, auditor did not complete all the necessary audit work before issuing a modified opinion.

When deciding whether to accept an audit appointment or reappointment, auditors shall assess whether the matter which gave rise to the modification in prior year remains unresolved. If the unresolved matter would infringe on the auditors' duties, auditors would normally not accept the appointment, in accordance with section 410.52 of the Code of Ethics for Professional Accountants.

Auditors shall also refer to HKSA 705 "Modifications to the Opinion in the Independent Auditor's Report" which provides guidance that a certified public accountant should follow before issuing a modified opinion.

HKSA 710 "Comparative Information - Corresponding Figures and Comparative Financial Statements" also provides the requirements that a certified public accountant should consider when a modified opinion was issued in prior period.

Q3. Should the auditor resign and not continue to accept the audit engagement if a client does not improve its internal control procedures, among other things, so that a qualified opinion may be issued in the forthcoming year of audit?

Reply: *Each situation must be evaluated on a case by case basis. Section 410.52 of the Code of Ethics for Professional Accountants provides guidance to auditors in deciding whether to accept an audit appointment or reappointment when there is a limitation on the scope imposed by the client, which may infringe on his statutory duties as an auditor.*