AFRC Accounting and Financial Reporting Council 會計及財務匯報局

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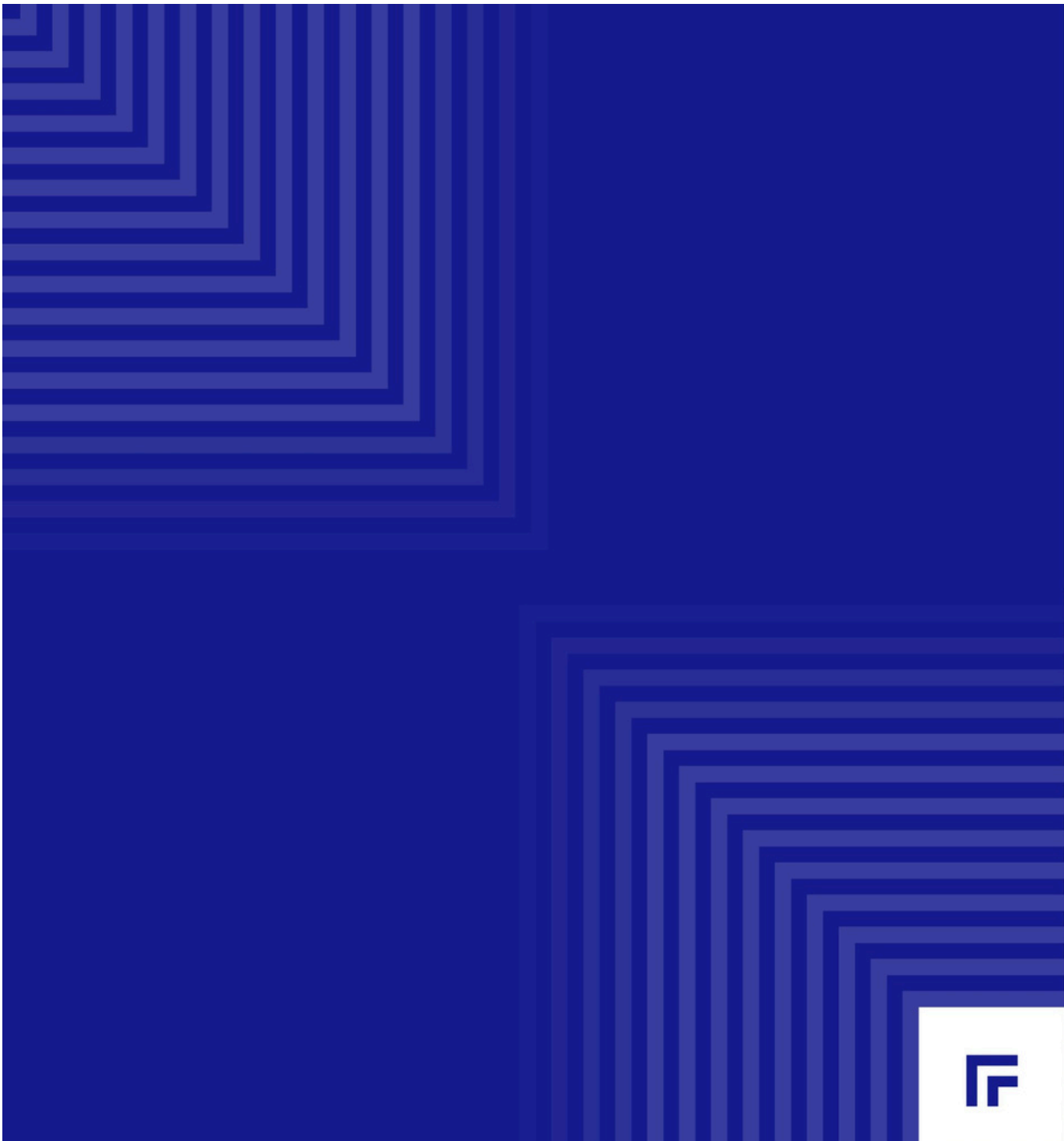
Checkpoint - Information Produced by the Entity for Use as Audit Evidence

Inspection

18 December 2025



About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (**AFRC**) is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, the AFRC leads the accounting profession by upholding professional standards, safeguarding the public interest, and promoting the profession's healthy development.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

Introduction

Overview

Auditors rely on various types of information produced by the entity (**IPE**) when performing audits. Examples of IPE include the general ledger, trial balance, sales and purchase orders, and accounts receivable ageing reports, etc. Such information may be automatically generated by an entity's information systems and tools, or manually prepared by management. As entities increasingly rely on information systems, system-generated IPE has become more prevalent in audits.

Despite the extensive reliance on IPE, our inspections continue to identify instances that auditors did not sufficiently evaluate their clients' internal controls over the preparation of IPE. Additionally, they neglect to sufficiently test the accuracy and completeness of the IPEs before relying on them, particularly, system-generated reports.

This Checkpoint provides an overview of the types of IPE commonly encountered in audits. It also highlights matters that auditors should consider when using IPEs and provides guidance on how to evaluate the reliability of IPEs before using them as audit evidence.

Common pitfalls and misunderstanding

IPE can be relied upon without testing because:

1. Reports are automatically generated from clients' information systems.
2. Data is extracted directly from clients' information systems with effective general IT controls (**GITCs**).
3. System-generated data appears to be reasonable.

Types of IPE

IPE can be broadly classified into the following types:

1. System-generated reports
2. Screenshots
3. End-user computing outputs
4. Manually prepared schedules

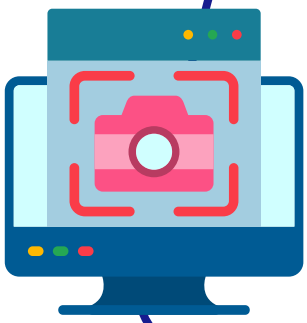
IPE can be found in various **Hong Kong Standards on Auditing (HKSA)**. Specifically, the importance of ensuring its reliability is highlighted in **paragraph 9 of HKSA 500** *Audit Evidence*, which states:

> *"When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes [...]"*

Types of IPE

System-generated reports

- Reports that are produced by an entity's information systems. These reports can be standardised with predefined parameters or customised for specific needs.
- Examples of system-generated reports:
  - Accounts receivable ageing reports that are automatically generated from the accounting system.
  - Inventory listing showing item codes, descriptions, locations, quantities on hand and unit costs as at period end, generated from the Enterprise Resource Planning (**ERP**) system.

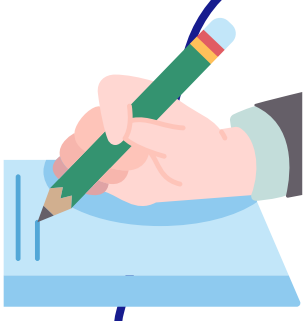


Screenshots

- Screenshots are commonly used to capture system information at a point in time or to capture configuration settings for an entity's information system.
- Examples of screenshots:
  - Screenshot from the system showing the approval status and approver details for specific transactions or workflow steps.
  - Screenshot from the system showing key configuration settings relevant to controls, such as approval thresholds, tolerance limits or access rights.

End-user computing outputs

- Outputs that are generated by applications and tools developed and maintained by personnel outside of an entity's IT Department.
- Examples of end-user computing (**EUC**) outputs:
  - Macro-enabled Excel workbook prepared by an accountant to calculate deferred revenue associated with customer loyalty points.
  - Power BI dashboard maintained by the treasury team to aggregate custodian data and calculate year-end fair values for an entity's equity investments.



Manually prepared schedules

- Schedules that are prepared by an entity's staff without using information systems or EUC tools which often appear in smaller entities.
- Example of manually prepared schedules:
  - Bank reconciliation schedules prepared manually by an accountant to reconcile ledger balance of bank balances against the bank statements.
  - Listing manually prepared by the legal department which summarises ongoing litigation and claims to support provisions and contingent liability disclosures.

Evaluation of system-generated reports*

Obtain an understanding

1. How is the information transferred from its source to the report?
2. How does the client generate the report from the information system?
3. What management controls, including GITCs, are in place to govern the IPE generation process?

Perform an evaluation

1. How to ensure the completeness and accuracy of the information in the reports?
   - Completeness: Is all the intended information captured?
   - Accuracy: Does the information in the report agree with its source information?
2. Are the relevant internal controls, including GITCs, operating effectively when the report was generated?

Conclusion

1. Has sufficient appropriate audit evidence been obtained to conclude that the IPE is reliable for the auditor's purposes?
2. When an exception is identified in the IPE generation process or relevant controls, what is its impact on the IPE's reliability? Are further audit procedures required?

Note: (*) The list of questions above is non-exhaustive and for reference only. Auditors should document the testing performed on IPE and the testing results on the audit working papers.

Evaluation of screenshots*

Obtain an understanding

1. Which information system is the screenshot taken from?
2. What selections and filters are applied in the information system to generate the information shown in the screenshot?
3. Does the screenshot include a clear timestamp indicating when it was captured?

Perform an evaluation

1. How to ensure the completeness and accuracy of the information in the screenshot?
   - Completeness: Is all the intended information captured?
   - Accuracy: Does the information as contained in the screenshot agree with the source of the information system?

Conclusion

1. Has sufficient appropriate audit evidence been obtained to conclude that the IPE is reliable for the auditor's purposes?
2. When an exception is identified in the IPE generation process or relevant controls, what is its impact on the IPE's reliability? Are further audit procedures required?

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Evaluation of end-user computing outputs*

Obtain an understanding

1. What are sources of the underlying information for the EUC output, and how the underlying information is extracted?
2. What EUC tool is used, and what logic has been applied to produce the EUC output (e.g. macros or queries)?
3. Who is responsible for the preparation, review and maintenance of the EUC output, and how frequently it is compiled and updated?
4. What internal controls are in place to prevent unauthorised alteration of the EUC files and their outputs?

Perform an evaluation

1. How to ensure the completeness and accuracy of the information in the EUC output?
   - Completeness: Does the EUC output include the total population or the entire amount?
   - Accuracy: Are the formulas, hyperlinks, and calculations functioning correctly in the EUC file?
2. Are the relevant internal controls operating effectively at the time the EUC output was generated?

Conclusion

1. Has sufficient appropriate audit evidence been obtained to conclude that the IPE is reliable for the auditor's purposes?
2. When an exception is identified in the IPE generation process or relevant controls, what is its impact on the IPE's reliability? Are further audit procedures required?

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Evaluation of manually prepared schedules*

Obtain an understanding

1. What are the sources of the underlying information used to prepare the schedule, and how the underlying information is transferred from those sources?
2. Who is responsible for preparing, maintaining, and reviewing the schedule, and how frequently it is compiled and updated?
3. What internal controls are in place to prevent unauthorised alteration of the schedule and its underlying data?

Perform an evaluation

1. How to ensure the completeness and accuracy of the information in the schedule?
   - Completeness: Does the schedule reconcile with the relevant population or balance?
   - Accuracy: Are the manual calculations and transcribed figures accurate when they are reperformed or traced back to the source documents?
2. Are the relevant internal controls operating effectively at the time the schedule was prepared?

Conclusion

1. Has sufficient appropriate audit evidence been obtained to conclude that the IPE is reliable for the auditor's purposes?
2. When an exception is identified in the IPE generation process or relevant controls, what is its impact on the IPE's reliability? Are further audit procedures required?

Note: (*) The list of questions above is non-exhaustive and for reference only. Auditors should document the testing performed on IPE and the testing results on the audit working papers.

Conclusion

In summary, IPE underpins many key audit procedures and control evaluations. Auditors should apply professional skepticism when evaluating whether the IPEs on which they rely on are sufficiently reliable for their intended purpose, including whether they are complete, accurate, and sufficiently precise and detailed. Where such evaluation is insufficient or absent, the auditor does not have an appropriate basis for the conclusions reached.

If, at any stage, doubts arise about the reliability of the IPE used as audit evidence, for example, when the evaluation indicates incomplete information or inconsistencies between sources, the auditor should determine what modifications or additions to audit procedures are necessary to resolve the matter. The auditor should also consider the effect of the matter, if any, on other aspects of the audit. Adopting a disciplined, risk-based approach to evaluating IPE is fundamental for obtaining sufficient appropriate audit evidence to draw a reasonable conclusion on which to base the auditor's opinion. Auditors should refer to HKSA 500 *Audit Evidence* for further details on the requirements for IPE evaluation.

Annex:
Additional guidance and resources

The AFRC is dedicated to fostering a culture of continuous improvement within the accounting profession. To support this, we published a range of communications, including reports, guidelines, and videos. Auditors are encouraged to draw upon these resources to advance their professional excellence and uphold audit quality.

2024-25 Annual Inspection Report

The annual inspection report presents key findings and insights from our 2024 inspections.

Audit Focus for 2025 year-end audits

This publication offers practical reminders and highlights key areas that require particular attention from auditors.

Audit Focus for 2025 year-end audits - Financial Services Sector

The publication provides practical guidance for effectively addressing unique and evolving risks of the financial services sector, while also outlining firm-specific readiness considerations.

Checkpoint - Obtaining an Understanding of the Audit Clients' IT Environments

The Checkpoint provides guidance to auditors on obtaining an understanding of audit clients' IT environments.

Checkpoint – Reminders for Auditors' Reporting on Licensed Corporations

The Checkpoint provides good practices to improve the quality of work, along with insights into key emerging risks and opportunities for auditors of licensed corporation.

AFRC Connect Video Series

The video series provides practical insights and essential technical reminders in an engaging and digestible format.

How important is Audit Risk Assessment?	Understand and Evaluate IT Risks and Controls	Revealing the Hidden Truths of Management Fraud: The Vital Role of Journal Entry Testing

Setting and Reinforcing Tone at the Top to Achieve Quality Audits

This article emphasises the importance of an audit firm's leadership in setting and reinforcing the right tone at the top. It also outlines our expectations of the leadership of audit firms, audit committees, and company management in promoting and maintaining a culture of ethical behaviour, integrity, and audit quality.

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