



FOUNDATION FOR AUDIT QUALITY

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# Using confirmations for financial services entities

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# Speakers for today



Ajit Viswanath



Namrata Baskar

# Confirmations – an overview

**Relevant auditing standard –  
SA 505 “External  
Confirmations” (SA 505)**



**Types of confirmations – positive  
confirmation requests vs  
negative confirmation requests**



**One of the most reliable forms  
of audit evidence as obtained  
from independent source  
(outside the reporting entity) in  
writing directly by auditors**



**Typically rolled out in the form  
of hard copy confirmation  
requests. COVID-19 has  
resulted in alternative  
approaches (e.g. email)**



# Confirmations – relevance for financial services entities



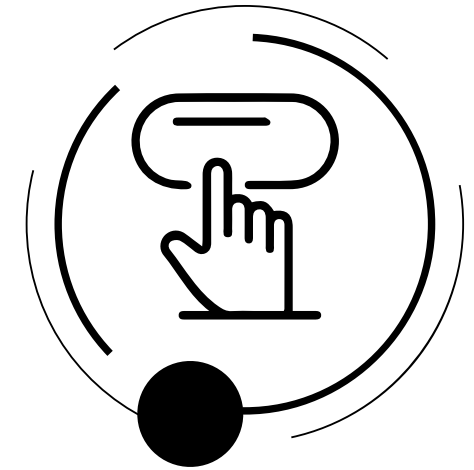
Rolling out external confirmation requests as an audit procedure is relevant equally for financial services (e.g. banks, nbfc's etc.) and other entities.



Areas where external confirmation requests are rolled out includes loans and advances to external customers, investments, borrowings and cash and bank (volume expected to be much higher in case of financial services entities)



In case of loans and advances the alternative procedures to be performed for existence and accuracy related assertions are likely to be extremely onerous

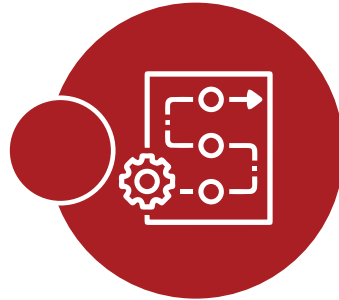


Other areas where confirmation requests may be relevant for all sectors (including financial services entities) are – related party transactions, legal confirmations, trade receivables, trade payables etc.

# Confirmations – Key considerations (1/2)



Approach for retail loans as compared to corporate loans.



External confirmations being rolled out at an interim date. Key aspects include – completeness and accuracy of population being used, rollforward procedures from the interim date to the year end etc.



Tracking of responses and communication with Those Charged With Governance (response rate and also alternative procedures).



Details to be obtained as part of such external confirmation requests – e.g. in case of loans and advances in addition to the loan outstanding, interest rate, details of collateral etc. could also be requested as part of external confirmations. Appropriate level of deliberation may be required for this.

# Confirmations – Key considerations (2/2)

**Electronic confirmations –  
digital signatures,  
verification of email ids,  
proper authorisation etc.**



**Approach in cases where  
the response to the  
confirmation request does  
not agree with the balance  
reflected in the books of  
accounts**

**Use of external tools at the  
request of client e.g.  
confirmation.com**



# Thank You

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