

HONG KONG SOCIETY OF ACCOUNTANTS

(Incorporated by the Professional Accountants Ordinance, Cap. 50)



Our Ref.: M/NC, C/AUG

25 July 1997

Dear Member,

**New Auditing Standards and Practice Note
issued under the Auditing Standards revisions project**

You will find enclosed the second batch of the following nine Statements of Auditing Standards (SASs) and one Practice Note (PN) issued by the Hong Kong Society of Accountants (HKSA) under the Auditing Standards revisions project.

- SAS 401 - Audit evidence - considerations for specific items
- SAS 410 - Analytical procedures
- SAS 420 - Audit of accounting estimates
- SAS 430 - Audit sampling
- SAS 440 - Representations by management
- SAS 470 - Overall review of financial statements
- SAS 500 - Considering the work of internal auditing
- SAS 510 - Principal auditors and other auditors
- SAS 520 - Using the work of an expert
- PN 600.3 - Reports to directors or management

The first batch of the following ten SASs was already issued in February 1997.

- SAS 100 - Objective and general principles governing an audit of financial statements
- SAS 140 - Engagement letters
- SAS 200 - Planning
- SAS 210 - Knowledge of the business
- SAS 220 - Audit materiality
- SAS 230 - Documentation
- SAS 240 - Quality control for audit work
- SAS 300 - Audit risk assessments and accounting and internal control systems
- SAS 310 - Auditing in a computer information systems environment
- SAS 400 - Audit evidence

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These nineteen SASs contain over 100 mandatory auditing standards with which auditors must comply in the conduct of any audit engagement, together with related guidance. These SASs and PN have an operative date of reporting periods ending on or after 30 September 1997. Earlier application is permitted, but this is entirely at the option of members.

In view of the SASs' mandatory status for members, members are reminded that they should ensure that their audit policies and procedures meet the requirements of the SASs. A review of audit manuals and procedures should be undertaken to ensure consistency with the SASs, and professional development activities should be directed toward educating audit partners and staff about the SASs.


On the implementation of these nineteen SASs and one PN, the following current existing Auditing Standard and Guidelines will be withdrawn:

- 3.101 - Audit approach
- 3.210 - Planning, controlling and recording
- 3.211 - Quality control
- 3.220 - Accounting systems
- 3.230 - Audit evidence
- 3.231 - Auditing stocks and work in progress
- 3.232 - Verification of debtor balances: confirmation by direct communication
- 3.233 - Representations by management
- 3.234 - Contingent liabilities arising from pending legal matters
- 3.235 - Analytical review
- 3.240 - Internal controls
- 3.250 - Review of financial statements
- 3.254 - Reports to management
- 3.260 - Auditing in an EDP environment - general principles
- 3.261 - The effects of an EDP environment on the study and evaluation of the accounting system and related internal controls
- 3.270 - Engagement letters
- 3.280 - Group financial statements - reliance on the work of other auditors
- 3.281 - Reliance on internal audit
- 3.282 - Reliance on other specialists

The HKSA, being a Council member of International Federation of Accountants (IFAC), strongly supports the work of IFAC by informing its members of every pronouncement developed by IFAC, works towards the implementation, to the extent possible under local circumstances, of those pronouncements, and specifically incorporates International Auditing Standards (ISAs) in its SASs.

The HKSA's Auditing Standards revisions project improves the harmonisation of audit practices in Hong Kong with those of other major international accounting bodies. In developing its SASs, the HKSA drew on the work and experience of the International Auditing Practices Committee of IFAC and other overseas standard setting bodies. Where the HKSA considers it appropriate to depart from a particular ISA, this has been separately identified and explained within the equivalent Hong Kong SAS. The HKSA's commitment to international harmonisation should enhance the recognition of the HKSA's SASs by international capital markets and users of financial statements.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'LOUIS L. W. WONG', written in a cursive style.

LOUIS L.W. WONG
REGISTRAR

HONG KONG SOCIETY OF ACCOUNTANTS

LW/SSLC/jc
Encl.