



Sent electronically through the IAASB Website (www.ifac.org)

15 November 2010

Our Ref.: C/AASC

Executive Director, Professional Standards
International Auditing and Assurance Standards Board,
International Federation of Accountants,
545 Fifth Avenue, 14th Floor,
New York 10017, USA.

Dear Sir,

[IAASB EDs on Proposed ISA 315 \(Revised\) Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment and ISA 610 \(Revised\) Using the Work of Internal Auditors](#)

The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong.

We welcome the opportunity to provide you with our comments on the captioned IAASB EDs on ISA 315 and ISA 610.

In general, we support the proposed plan to revise ISA 315 and ISA 610 to enhance the performance of external auditors. Our comments on the Consultation Questions are set out in the attachment.

We trust that our comments are of assistance to you. If you require any clarifications on our comments, please do not hesitate to contact me at ong@hkiipa.org.hk.

Yours faithfully,

Steve Ong, FCPA, FCA
Director, Standard Setting Department

SO/SH/ac
Encl.



**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE
IAASB EXPOSURE DRAFTS ON PROPOSED ISA 315 (REVISED) IDENTIFYING AND
ASSESSING THE RISKS OF MATERIAL MISSTATEMENT THROUGH UNDERSTANDING
THE ENTITY AND ITS ENVIRONMENT AND ISA 610 (REVISED) USING THE WORK OF
INTERNAL AUDITORS**

Request for Specific Comments

- 1. Do respondents believe it is appropriate to require the external auditor to make inquiries of appropriate individuals within the internal audit function? If so, do respondents agree such a requirement is appropriately placed in ISA 315?**

We consider that it is appropriate to require the external auditor to make inquiries of appropriate individuals within the internal audit function to obtain an understanding of the entity and its environment, and in identifying and assessing risks of material misstatement at the financial statement and assertion levels. We believe it is appropriately placed in ISA 315.

- 2. Do respondents believe that appropriate factors have been proposed to be evaluated by the external auditor in determining:**
- a. Whether the work of the internal audit function can be used for purposes of the audit engagement; and**
 - b. The planned use of the work of the internal audit function?**

Generally, the factors provide guidance on deciding whether or not the work of the internal audit function can be used. We agree that the evaluation should be based on an evaluation of the internal audit function's degree of objectivity, level of competence and application of a systematic and disciplined approach.

We support the proposal that in determining the planned use of the work of the internal audit function, the external auditor should be required to take into account the amount of professional judgement that would be involved in planning and performing audit procedures, and in evaluating the audit evidence obtained by the internal audit function.

- 3. Do respondents believe it is appropriate to require the external auditor to read reports produced by the internal audit function relating to the work of the internal audit function that is planned to be used by the external auditor?**

We agree with the proposed requirement in paragraph 18 of ISA 610. It is clear from the related application guidance in A6b of ISA 315 and A16 of ISA 610 that the external auditors are to read internal audit reports where the work of internal auditors is used.

- 4. Do respondents believe that it is desirable for the scope of ISA 610 to be expanded to address the matter of direct assistance? If so, do respondents believe that when obtaining the direct assistance of internal auditors the external auditor should be required to:**
- a. Consider the factors that have been proposed in determining the work that may be assigned to individual internal auditors; and**
 - b. Direct, supervise, and review the audit procedures performed by the internal auditors in a way that recognizes they are not independent of the entity?**

We believe that ISA 610 should be clear on its intention on direct assistance. We consider that there is appropriate level of guidance on direct assistance in the proposed ISA 610



which provides a framework for determining the use of direct assistance. We agree that external auditor has sole responsibility for the audit opinion expressed.

5. Public Interest Concerns – Respondents are asked to address whether there are any public interest concerns that have not been addressed.

No comments.

6. Special Considerations in the Audit of Smaller Entities—Respondents are asked to comment whether, in their opinion, guidance addressing special considerations in the audit of smaller entities should be provided in the proposed revised ISAs. If so, respondents are asked to explain why and to suggest the nature of any such considerations.

It is considered that no further guidance is necessary for the audit of smaller entities as the ISA may not be applicable due to lack of internal audit function. If the entities have internal audit function, the requirements and guidance in ISA 315 and ISA 610 would apply.

7. Special Considerations in the Audit of Public Sector Entities—Respondents are asked to comment whether, in their opinion, special considerations in the audit of public sector entities have been dealt with appropriately in the proposed revised ISAs.

No comments.

8. Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the ISAs, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in applying the proposed revised ISAs in a developing nation environment.

No comments.

9. Translations—Recognizing that many respondents intend to translate the final revised ISAs for adoption in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing the proposed revised ISAs.

No translation implications.

10. Effective Date—Respondents are asked to comment whether, in their opinion, the provisional effective date is appropriate for supporting effective adoption and implementation of the proposed revised ISAs at the national level.

We agree with the proposed effective date of 15 December 2013.

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