



22 April 2015

Our Ref.: C/AASC

International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, 10017
USA

Dear Sirs,

IAASB's Exposure Draft on ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements* and Proposed Conforming Amendment to Another ISA

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.

Overall, we support the approach in applying the enhancements in the proposed ISAs 800 and 805 resulting from the new and revised Audit Reporting standards. We agree with the approach that ISA 701 on key audit matters (KAM) should only apply when law or regulation requires the communication of KAM in an ISA 800/805 engagement, or when the auditor decides to communicate KAM on a voluntary basis

Responses to the specific questions in the ED are included in the attachment.

We trust that our comments are of assistance to you. If you require any clarification on our comments, please contact Ms. Selene Ho at selene@hkiipa.org.hk.

Yours faithfully,

Chris Joy
Executive Director

Sh/al

Encl.



ATTACHMENT

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE IAASB'S EXPOSURE DRAFT ON ISA 800 (REVISED), *SPECIAL CONSIDERATIONS – AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS*, ISA 805 (REVISED), *SPECIAL CONSIDERATIONS – AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENTS* AND PROPOSED CONFORMING AMENDMENT TO ANOTHER ISA

Specific comments

- 1. Whether respondents agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised) as explained in paragraphs 10–32 of this EM. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.**

We agree with the proposals in the proposed ISA 800 (Revised) and proposed ISA 805 (Revised) for the enhancements resulting from the new and revised auditor reporting ISAs. We support the proposed approach that ISA 701 on key audit matters (KAM) should only apply when law or regulation requires the communication of KAM in an ISA 800/805 engagement, or when the auditor decides to communicate KAM on a voluntary basis.

In addition, we also support other proposals such as requiring to include the name of the engagement partner in the auditor's report on special purpose financial statements of listed entities, the application of going concern requirements in ISA 570 (Revised) and formatting enhancements.

- 2. Whether the proposed standards include sufficient guidance to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.**

We believe there is sufficient guidance in the proposed ISAs 800 and 805.

- 3. In relation to KAM:**

- (a) Do respondents agree with the IAASB's decision that the communication of KAM be voluntary for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation?**

See comments in Question 1 above.

- (b) Specific to proposed ISA 805 (Revised), whether respondents support the IAASB's proposed direction that reference to KAM that is communicated in the auditor's report on the complete set of financial statements be permitted in the ISA 805 auditor's report using an OM paragraph and how this has been illustrated in the ISA (see paragraphs 25–32 above). In particular, the IAASB would also welcome respondents' views about:**



- (i) **The usefulness of the guidance in paragraph A23 in proposed ISA 805 (Revised) and the appropriateness of Illustration 3 in Appendix 2 to assist auditors in determining how to make a reference in the ISA 805 auditor's report to KAM that are communicated in the auditor's report on the complete set of financial statements; and**
- (ii) **In light of views on (i) and the Board's deliberations summarized in paragraphs 25–32 above, whether it is necessary to establish requirements in proposed ISA 805 (Revised) relating to a reference to KAM in the ISA 805 auditor's report either to promote consistent treatment in practice or expressly prohibit certain approaches (e.g., a reference only to relevant KAM in the auditor's report on the complete set of financial statements or the possibility of repeating the full description of a KAM).**

Overall, we consider the guidance in A23 of proposed ISA 805 useful which allows auditors to refer only to relevant KAM that are communicated in the auditor's report on the complete set of financial statements through an Other Matter paragraph. We agree with the approach which provides flexibility to auditors to determine what may be most useful to users of the ISA 805 auditor's report.

- 4. The IAASB would also welcome feedback on whether conforming amendments to extant ISA 810 are needed at this time and, if so, what approach could be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards.**

In principle, we are of the view that it would be appropriate to revise ISA 810 at this time to incorporate the enhancements, where applicable. In October 2014, the IAASB requested for information on the ISA 810 or equivalent in local jurisdictions, it would be useful for the IAASB to consider, based on the information provided, if ISA 810 is widely used in local jurisdictions. Any revision to ISA 810 should provide the flexibility for laws and regulations regarding summary financial statements in local jurisdictions.

The Hong Kong legislation requires that the auditor forms an opinion as to whether the summary financial report is consistent with the relevant financial documents/reporting documents from which it is derived and whether it complies with the requirements of relevant legislation.

The auditor states whether in his/ her opinion the summary financial report is consistent with the annual financial statements, directors' report and auditor's report, and whether the auditor's report concerned is qualified or otherwise modified. The auditor is not required to form an opinion on whether the summary financial report gives a true and fair view.

The form and contents of the summary financial statements are set out in the Companies (Summary Financial Reports) Regulation.

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