



By e-mail < Edcomments@ifac.org >

5 September 2007

Our Ref.: C/EC

Senior Technical Manager,
International Ethics Standards Board for Accountants,
International Federation of Accountants,
545 Fifth Avenue, 14th Floor,
New York,
New York 10017,
USA.

Dear Sir,

IESBA Exposure Draft of Strategic and Operational Plan for 2008-2009

The Hong Kong Institute of Certified Public Accountants (HKICPA) 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 IESBA Exposure Draft.

Overall we support the proposed Strategic and Operational Plan for 2008-2009 and note that the proposed new projects are in line with the recommendations made in our submission to the IESBA in May 2007 on the IESBA Strategic Review Questionnaire.

However, we note that one of the major tasks of the IESBA in 2008 is to complete the project on the revisions to the independence requirements contained in the IFAC Code of Ethics for Professional Accountants as proposed in the exposure draft issued in December 2006 proposing revisions to existing Section 290 *Independence – Audit and Review Engagements* and proposing new Section 291 *Independence – Other Assurance Engagements*. As the completion of this project will have a major impact for accounting professionals worldwide, we are very concerned that the exposure draft may be finalized without taking into account all the comments raised in order to achieve a self-imposed deadline. We take this opportunity to reiterate some of the major concerns made by us in our submission dated 2 May 2007 on the exposure draft.

We reiterate that our principle concern is that we were determining the independence requirements relating to “Entities of Significant Public Interest” (ESPIs) before we fully understand what is meant by ESPIs. Entities that might be classified as ESPIs can range from entities that are clearly of significant public interest such as listed companies to entities where the public has an interest, such as charities and schools, but the public interest may not be classified as significant. Furthermore, rather than introducing the notion of ESPIs at this time, the IASB should be aligning the “significant public interest” notion with the “public accountability” notion of IASB. Once the appropriate term and its scope have been developed, it can then be promulgated consistently through all the standard-setting literature.



We have in our submission also requested IESBA to consider carefully the practical business and economic consequences of a more rules-based regime on small businesses and not-for-profit enterprises if a strict definition of ESPs is to be applied to entities such as charities and schools. We are reluctant to support increases in the costs to such entities unless the benefits can be clearly seen to outweigh the costs.

Finally, concerns have been raised previously as to the ongoing divergence from a principles-based system towards a more rules-based approach by the impact of forced rotation of key audit partner (which would lead to firm rotation for smaller firms), and also the delineation of tax and audit services, in areas where this may substantially raise the costs to the entity receiving such services.

We hope the IESBA will consider our above concerns and concerns raised by other commentators carefully before finalizing the exposure draft in such as a short period as part of the proposed Strategic and Operational Plan for 2008-2009.

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 or Steve Ong, Deputy Director, Standard Setting (ong@hki CPA.org.hk).

Yours faithfully,

Patricia McBride
Executive Director

PM/SO/jc