



By e-mail < Edcomments@ifac.org >

7 December 2007

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 Exposure Draft of proposed ISA 800 (Revised and Redrafted) *Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

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 Exposure Draft.

Before we comment on the subject IAASB Exposure Draft, we would like to take this opportunity to reiterate a point made by us in our submission dated 28 March 2006 on the IAASB Exposure Draft on Improving the Clarity of IAASB Standards. We are of the view that the IAASB should approach the development of the objectives of each ISA together rather than on a piecemeal ISA-by-ISA basis as it works through the clarity project. Accordingly, we strongly recommend that the IAASB commences to look at the objectives in all ISAs and link them to the objective in the proposed ISA 200.

Notwithstanding our above comment, we support the proposed revised and redrafted ISA and consider that generally the objective to be achieved by the auditor, as stated in the proposed revised and redrafted ISA, is appropriate. Furthermore, the criteria identified by the IAASB for determining a requirement has been applied appropriately and consistently such that the resulting requirements will promote consistency and the use of professional judgement by auditors. Our comments on the significant proposal in the proposed revised and redrafted ISA 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 or Steve Ong, Deputy Director, Standard Setting (ong@hkicpa.org.hk).

Yours faithfully,

Patricia McBride
Executive Director

PM/SO/ac

Encl.



ATTACHMENT

**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE
IAASB EXPOSURE DRAFT OF ISA 800 (REVISED AND REDRAFTED) SPECIAL
CONSIDERATIONS – AUDITS OF SPECIAL PURPOSE FINANCIAL STATEMENTS AND
SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT**

Requests for Specific Comments

- 1. Is the objective to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?**

We believe that the objective is appropriate.

- 2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been appropriately and consistently applied, such that the resulting requirements promote consistency in performance and reporting, and the use of professional judgement by auditors?**

We believe that the criteria have been applied appropriately and consistently.

Other Comments

- 3. True and Fair Opinion on a Single Financial Statement (Statement of cash receipts and disbursement)**

We note that in Illustration 3 of the Appendix to the proposed ISA, a true and fair opinion is expressed on a single financial statement. We believe the use of “true and fair/presents fairly” opinions on subjects other than complete sets of general purpose financial statements would create confusion not only amongst practitioners but also readers of financial statements. Whilst we believe that any engagement of such nature should be within the scope of ISA 800, we consider that it should not warrant a “true and fair/presents fairly” opinion. The proposed ISA should clarify that a “true and fair” opinion can only be appropriate for a complete set of financial statements prepared in accordance with a fair reporting framework.

Therefore, we recommend that IAASB considers removing any reference to “fair” in Illustration 3. In the event that the IAASB retains Illustration 3 and the principle that a true and fair opinion could be expressed on a single financial statement, it is our view that this should be clearly articulated in the body of the proposed ISA with appropriate guidance. We would recommend that the IAASB considers adopting the approach set out in Illustration 4 whereby a “prepared in accordance with” opinion is given instead of a “true and fair/presents fairly”.

~ END ~