



**By e-mail < [Edcomments@ifac.org](mailto:Edcomments@ifac.org) >**

6 November 2007

Our Ref.: C/AASC

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

Dear Sir,

**IAASB Exposure Draft of proposed ISA 510 (Redrafted) *Initial Audit Engagements – Opening Balances***

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 redrafted ISA and consider that generally the objective to be achieved by the auditor, as stated in the proposed 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 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@hkiipa.org.hk](mailto:ong@hkiipa.org.hk)).

Yours faithfully,

Patricia McBride  
Executive Director

PM/SO/jc  
Encl.



**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE IAASB  
EXPOSURE DRAFT OF ISA 510 (REDRAFTED)  
INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES**

**Requests for Specific Comments**

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

We believe the objectives are appropriate.

- 2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, 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 on a Significant Proposal**

- 3. Split Opinion**

We agree with the IAASB's proposal to remove the restriction in the extant ISA 510 where the auditor can express an unmodified opinion on the closing financial position of the entity and a qualified opinion or disclaimer of opinion on the results of operations and cash flows.

~ END ~



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

Dear Sir,

**IAASB Exposure Draft of proposed ISA 530 (Redrafted) Audit Sampling**

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 redrafted ISA and consider that generally the objective to be achieved by the auditor, as stated in the proposed 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 proposals in the proposed 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](mailto:ong@hkicpa.org.hk)).

Yours faithfully,

Patricia McBride  
Executive Director

PM/SO/jc  
Encl.



**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE IAASB  
EXPOSURE DRAFT OF ISA 530 (REDRAFTED)  
AUDIT SAMPLING**

**Requests for Specific Comments**

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

We believe the objectives are appropriate.

- 2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, 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 on Significant Proposals**

- 3. Selecting Items for Testing to Obtain Audit Evidence**

We agree with the IAASB's proposal to remove material in the extant ISA 530 dealing with the selection of items for testing by means other than sampling (i.e., selecting all items and selecting specific items) to proposed ISA 500 (Redrafted) *Considering the Relevance and Reliability of Audit Evidence* in order to provide a clear focus on sampling in proposed ISA 530 (Redrafted).

- 4. Anomalies**

We support the IAASB's proposal for an auditor to obtain a high degree of certainty that a misstatement or deviation (an anomalous error) is not representative of the population as a requirement in paragraph 13 of the proposed ISA. It is important that the auditor performs additional audit procedures to obtain sufficient appropriate audit evidence that the misstatement or deviation does not affect the remainder of the population. However, it would be helpful if the IAASB could provide guidance as to what "additional procedures" in the Application and Other Explanatory Material section.

In addition, we note that in paragraph 50 of the extant ISA 530, there are examples to further illustrate what is an anomalous error and work the auditor needs to perform to establish that it is an anomalous error. However, these examples are not elevated to the proposed ISA. We recommend that the IAASB considers restating these examples in the proposed ISA as they would be helpful to enhance the understanding of what is an anomalous error.

## **5. Projecting and Evaluating Sample Results**

We agree that the proposed ISA should clarify the responsibilities of the auditor with respect to the projection and evaluation of sample results as set out in paragraph 14 of the proposed ISA and that additional guidance has been provided in Appendix 5.

**~ END ~**