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# 香港華人會計師公會 The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

14 December 2020

Standard Setting Department  
Hong Kong Institute of Certified Public Accountants  
37th Floor, Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

Dear Sir,

Re: Invitation to Comment on IAASB Discussion Paper, Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit

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We refer to your letter dated 16 September 2020 and on behalf of the Society of Chinese Accountants and Auditors ('SCAA'), we would like to provide our views on IAASB Discussion Paper, Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit:-

## **Q1 (a) and (b)**

We believe that the main cause of the expectation gap of general public relating to fraud and going concern in an audit of financial statements is contributed to the knowledge gap. General public misunderstand the role of auditors and also not understand the approaches and procedures that are being carried out by auditors under the current auditing standards.

This expectation gap should be narrowed down by communications and broadcasting to the general public on what kind of procedures and approaches are actually carried out by auditors. We believe that the current auditing standards and requirements of auditors on fraud risk and going concern issue on financial statements are robust and sufficient.



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## Q2 (a) to (d)

We noted that many frauds are sometimes carefully planned, designed and concealed and they are very difficult to be discovered. In this respect, even with additional or enhanced requirements on auditing standards it is not a guarantee that the material misstatement of financial statements due to fraud could be 100% detected by auditors and whenever there are new corporate failures due to fraud, the expectation gap in the general public would still be existed or even enlarged. Besides, we believe that the current requirements under relevant auditing standards in relation fraud are robust and sufficient.

We believe that the issue should be handled from the source i.e. the management should be held firmly responsible for preventing and detecting of frauds. The laws and regulations should be in place so as to achieve this objective.

However, should there be any enhanced requirements to be introduced on current auditing standards in relation to fraud, they should only be applied to public interest entities. In addition, we think that it is not appropriate to start our audits with suspicious mindset as it would jeopardize the audit relationship with clients.

## Q3 (a) to (c)

We believe that the current audit requirements on assessment of the appropriateness of the management's use of the going concern basis of accounting are already sufficient and effective. In addition, disclosures on auditor's responsibility on going concern issues are included in the auditor's report, it provides a very clear communication to the general public regarding auditor's responsibility in this area.



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Should you wish to further discuss the issues in more details, please do not hesitate to contact us at 2869 6680.

Thanks for your kind attention!

Yours faithfully,

Wong Chun Sek, Edmund  
President  
The Society of Chinese Accountants & Auditors

Choi Kwok Wai, Ronnie  
Chairman,  
Accounting and Auditing Standards Committee  
The Society of Chinese Accountants & Auditors