



By fax (0062 1 212 286 9570) and e-mail <EDComments@ifac.org>

Our. Ref.: C/AASC

10 July 2003

Technical Director,
International Auditing and Assurance Standards Board,
International Federation of Accountants,
535 Fifth Avenue, 26th Floor,
New York,
New York 10017,
USA.

Dear Sir,

Exposure Draft of Proposed Amendments to IAPS 1005
“The Special Considerations in the Audit of Small Entities”

We welcome the opportunity to provide you with our comments on the IAASB’s Exposure Draft of Proposed Amendments to IAPS 1005.

We have the following comments in connection with the Exposure Draft:

- (a) We support the IAASB’s proposal that guidance on how audits of financial statements of small entities differ from audits of the financial statements of other entities will be included in the body of the ISAs for new and revised ISAs issued subsequent to March 2003.
- (b) We agree that IAPS 1005 should be updated for the ISAs issued from March 1999 to March 2003 and recommend that during the transitional period from the release of the revised IAPS to the stage when all guidance in relation to small entities are covered in the body of ISAs, an appendix should be attached to the IAPS setting out which ISAs are addressed in IAPS 1005 and which ISAs include guidance on how to apply them in the body of the text directly.
- (c) We would like to highlight that certain parts of the IAPS may no longer comply with the principles proposed in the recent Exposure Draft of ISA on Audit Risks which establishes a risk-based approach in that, for example, planning and documentation paragraphs in the IAPS do not assume a risk-based starting point.

If you require any clarifications on our comments, please contact our Deputy Director (Ethics & Assurance), Stephen Chan <schan@hksa.org.hk>, in the first instance.

Yours faithfully,

WINNIE C.W. CHEUNG
SENIOR DIRECTOR
PROFESSIONAL & TECHNICAL DEVELOPMENT
HONG KONG SOCIETY OF ACCOUNTANTS

WCC/SSLC/jc