

Reminder to Auditors Applying Hong Kong Standards on Auditing

This is a reminder to all auditors that they should apply Hong Kong Standards on Auditing (HKSA) to all audits of financial statements for periods beginning on or after 15 December 2004, i.e starting with December 2005 year-end audits.

All HKSA issued to date are effective for audits of historical financial information for periods beginning on or after 15 December 2004 except for HKSA 220 "Quality Control for Audits of Historical Financial Information". HKSA 220 is effective for audits of historical financial information for periods beginning on or after 15 June 2005.

HKSA replace all Statements of Auditing Standards (SASs), other than the following SASs which are still applicable until they are replaced:

- SAS 230 "Documentation"
- SAS 510 "Principal auditors and other auditors"
- SAS 600 "Auditors' report on financial statements"

HKSA issued by the Institute adopt the equivalent International Standards on Auditing (ISAs) and are a completely new set of standards that may require significant changes to the conduct of audits. The new risk and fraud standards, for example, require auditors to conduct more wide-ranging and in-depth procedures than the previous standards. They also require auditors to undertake more work on evaluating the design and implementation of controls and to carry out additional procedures relating to the possibility of management override of controls. Senior audit personnel are required to have greater involvement in the direction of the audit including strategic audit planning. Furthermore, the new standards also require more documentation of the work performed.

A Comparison Table of HKSA and ISAs as at 30 November 2005 is attached as an Appendix for your reference.

Appendix

Comparison Table of Hong Kong Auditing Standards¹ and International Auditing Standards² as at 30 November 2005

	Applicable Auditing Standards	Title	Withdrawn Auditing Standards	Title
ISA 200	HKSA 200	Objective and General Principles Governing an Audit of Financial Statements	SAS 100	Objective and general principles governing an audit of financial statements
ISA 210	HKSA 210	Terms of Audit Engagements	SAS 140	Engagement letters
ISA 220	HKSA 220 (Note 1)	Quality Control for Audits of Historical Financial Information	SAS 240	Quality control for audit work
ISA 230	SAS 230 (Note 2)	Documentation		
ISA 240	HKSA 240	The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements	SAS 110	The auditors' responsibility to consider fraud and error in an audit of financial statements
ISA 250	HKSA 250	Consideration of Laws and Regulations in an Audit of Financial Statements	SAS 120	Consideration of laws and regulations in an audit of financial statements
ISA 260	HKSA 260	Communications of Audit Matters with Those Charged With Governance	SAS 610	Communications of audit matters with those charged with governance
ISA 300	HKSA 300	Planning an Audit of Financial Statements	SAS 200	Planning
ISA 310	-	Knowledge of the Business	SAS 210	Knowledge of the business
ISA 315	HKSA 315	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement	-	
ISA 320	HKSA 320	Audit Materiality	SAS 220	Audit materiality
ISA 330	HKSA 330	The Auditor's Procedures in Response to Assessed Risks	-	
ISA 400	-	Risk Assessments and Internal Control	SAS 300	Audit risk assessments and accounting and internal control systems
ISA 401	-	Auditing in a Computer Information Systems Environment	SAS 310	Auditing in a computer information systems environment
ISA 402	HKSA 402	Audit Considerations Relating to Entities Using Service Organizations	SAS 480	Audit considerations relating to entities using service organizations
ISA 500	HKSA 500	Audit Evidence	SAS 400	Audit evidence

ISA 501	HKSA 501	Audit Evidence - Additional Considerations for Specific Items	SAS 401	Audit evidence - considerations for specific items
ISA 505	HKSA 505	External Confirmations	SAS 402	External confirmations
ISA 510	HKSA 510	Initial Engagements – Opening Balances	SAS 450	Opening balances and comparatives
ISA 520	HKSA 520	Analytical Procedures	SAS 410 SAS 470	Analytical procedures Overall review of financial statements
ISA 530	HKSA 530	Audit Sampling and Other Means of Testing	SAS 430	Audit sampling
ISA 540	HKSA 540	Audit of Accounting Estimates	SAS 420	Audit of accounting estimates
ISA 545	HKSA 545	Auditing Fair Values Measurements and Disclosures	SAS 421	Auditing fair value measurements and disclosures
ISA 550	HKSA 550	Related Parties	SAS 460	Related parties
ISA 560	HKSA 560	Subsequent Events	SAS 150	Subsequent events
ISA 570	HKSA 570	Going Concern	SAS 130	Going concern
ISA 580	HKSA 580	Management Representations	SAS 440	Representations by management
ISA 600	SAS 510 (Note 3)	Principal auditors and other auditors		
ISA 610	HKSA 610	Considering the Work of Internal Audit	SAS 500A	Considering the work of internal auditing
ISA 620	HKSA 620	Using the Work of an Expert	SAS 520	Using the work of an expert
ISA 700	SAS 600 (Note 3)	Auditors' report on financial statements		
ISA 710	HKSA 710	Comparatives	SAS 450	Opening balances and comparatives
ISA 720	HKSA 720	Other Information in Documents Containing Audited Financial Statements	SAS 160	Other information in documents containing audited financial statements

1 To view Hong Kong Auditing Standards, click here
www.hkicpa.org.hk/ebook/main.php

2 To view International Auditing Standards issued by the IAASB, click here for registration
www.ifac.org/Store/Details.tpl?SID=95705605132866&Cart=1047351440225386

Note 1 – HKSA 220 is effective for audits of historical financial information for periods beginning on or after 15 June 2005.

Note 2 – ISA 230 has been revised by the IAASB. The Institute will adopt the revised ISA 230 in early 2006.

Note 3 – ISAs 600 and 700 are currently under revision by the IAASB which will be adopted by the HKICPA once they are revised by the IAASB.