



**By e-mail < [Edcomments@ifac.org](mailto: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, 14<sup>th</sup> Floor,  
New York 10017, USA.

Dear Sir,

**[IAASB Exposure Draft of proposed ISA 700 \(Redrafted\) The Independent Auditor's Report on General Purpose Financial Statements](#)**

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@hkipa.org.hk](mailto:ong@hkipa.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 700 (REDRAFTED) THE INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS**

#### **Requests for Specific Comments**

- 1. The proposal to limit the scope of proposed ISA 450 (Revised and Redrafted) to the evaluation of the effect of uncorrected misstatements, while proposed ISA 700 (Redrafted) deals with the evaluation whether the financial statements as a whole are free from material misstatement.**

We support the IAASB's proposal to limit the scope of proposed ISA 450 by transferring the requirements and guidance in proposed ISA 450 (Revised and Redrafted) that deal with the evaluation of whether the financial statements as a whole are free from material misstatement to the proposed ISA 700, as set out in paragraphs 9 to 12.

- 2. The proposed guidance in paragraphs A9-A11 and A33-A34 of proposed ISA 700 (Redrafted), which was developed to address the matter of financial reporting frameworks described by reference to IFRSs.**

Generally, we agree with the additional guidance developed to address the matter of financial frameworks described by reference to IFRS.

- 3. The proposal to incorporate the guidance in IAPS 1014, appropriately amended, in paragraphs A4-A8 and A31-A32 of proposed ISA 700 (Redrafted) and to withdraw IAPS 1014.**

We agree with IAASB's proposal to incorporate the guidance in IAPS 1014 in the proposed ISA 700. However, we note that the following illustrations in paragraphs 7 and 10 of the extant IAPS 1014 have not been elevated to ISA 700:

- Illustration of an auditor's report where the auditor is of the opinion that the financial statements comply, in all material respects, with the national financial reporting framework, but judges a qualified opinion is appropriate for compliance with IFRSs; and
- Illustration of an auditor's report where the financial statements fail to comply with the IFRSs framework because the disclosures as to compliance with IFRSs are misleading.

We believe that the examples would give additional guidance for practitioners and therefore recommend that the IAASB consider restating the example wordings in the proposed ISA 700.

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

We believe that the objectives are appropriate.

5. **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**

6. True and Fair Opinion on a Single Financial Statement

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 and, in our view, it is outside the scope of ISA 700. Hence, we disagree with paragraph 7 of the proposed ISA which states that financial statements could be a single financial statement. We believe that any engagement of such nature should be within the scope of ISA 800 *Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statements*. This will clarify that a “true and fair” opinion can only be given for a complete set of general purpose financial statements and not for a single financial statement.

We therefore recommend that IAASB considers moving Illustration 3 to ISA 800 and removing any reference to “fair” presentation in the Illustration. 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 in the proposed ISA 700, it is our view that this should be clearly articulated in the body of the proposed ISA with appropriate specific guidance. As currently drafted, for jurisdictions that have not been allowing a “true and fair” opinion on a component of financial statements, we are not aware of a financial reporting framework that would allow this practice. Some examples of financial reporting frameworks that allow this practice would be helpful.

~ END ~



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30 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 705 \(Revised and Redrafted\) Modifications to the Opinion in the Independent Auditor's Report](#)**

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. We also support the inclusion of the proposed definition of "pervasive".

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  
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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 706 (Revised and Redrafted) *Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report***

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. We also support the proposed requirement to include an Emphasis of Matter paragraph.

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@hkcipa.org.hk](mailto:ong@hkcipa.org.hk)).

Yours faithfully,

Patricia McBride  
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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 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.

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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

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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 ~



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7 December 2007

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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 805 \(Revised and Redrafted\) Engagements to Report on Summary Financial Statements](#)**

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.

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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@hkipa.org.hk](mailto:ong@hkipa.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 805 (REVISED AND REDRAFTED)  
ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS**

**Requests for Specific Comments**

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

We believe that the objectives are 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.

**Comments on Significant Matters**

**3. Form of Opinion**

We do not agree with IAASB's views that the auditor should form an opinion whether the summary financial statements are a fair summary of the audited financial statements. In our submission dated 29 November 2005 on ISA 800 *The Independent Auditor's Report on Summary Audited Financial Statements*, we have expressed concerns on the auditor being in a position to comment on the appropriateness of either the summary financial information or of the summarization process.

Similarly, we do not believe that the auditor is in a position to give an opinion on the fair summary of the audited financial statements in accordance with the applied criteria. Using the word "fair" may give the impression that it is of the same standing as "presents fairly" or "true and fair". In our view, only a complete set of general purpose financial statements prepared in accordance with a fair presentation framework gives a "true and fair" presentation of the financial affairs of the entity. The proposed ISA does not provide any explanation as to what constitutes "fair summary".

Furthermore, the auditor is not auditing the summarised financial statements per se. Whilst the auditor has audited the underlying financial statements from which the summary information is derived, the auditor's role in relation to summarised financial statements is limited to ensuring that the summarised financial statements are derived from, or reconcilable to, the general purpose financial statements, and are not inconsistent with them.

Accordingly, we would prefer retaining the opinion in the extant ISA 800 such that the information in the summarised financial statements is consistent in all material respects, with the audited financial statements from which they are derived. In circumstances in which the summarised financial statements have been prepared in accordance with regulations or other criteria defining the information that should be contained therein, the

auditor could also state that the summarised financial information has been prepared in accordance with that criteria.

#### **4. Summary Financial Statements Included in Documents Relating to Securities Offered to the Public**

We note that the IAASB's has debated on whether to include the sentence "The requirements and guidance in this ISA do not apply when reporting on summary financial statements that are included in documents relating to securities offered to the public." in paragraph 1 of the proposed ISA. We support the IAASB's decision not to include the abovementioned sentence in paragraph 1 pending the analysis of the responses to the Exposure Draft of ISA 720 (Redrafted) *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*".

#### **Other Comments**

##### **5. Editorial**

- We note that there is an additional "2" in paragraph 15 of the proposed ISA which is a typo.
- We note that IAASB has included an explanation for using "summary financial statements" throughout the proposed ISA. However, we are of the view that the term "summary financial information" may be more appropriate and consistent with that used in ISRE 2400 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". It is our understanding that the IAASB referred to interim financial information in that instance because "financial statements" do not include all the financial information and disclosures that would be included in a complete set of financial statements. In order not to create confusion and enhance consistency, we recommend the IAASB to reconsider replacing the term "summary financial statements" with "summary financial information".

~ END ~