



香港會計師公會
HONG KONG SOCIETY OF ACCOUNTANTS
(Incorporated by the Professional Accountants Ordinance, Cap. 50)

By fax and air-mail
(0062 1 212 286 9570)

19 February 2003

Our. Ref.: C/AASC

IFAC Chief Executive/ Technical Director of IAASB,
International Federation of Accountants,
535 Fifth Avenue, 26th Floor,
New York,
New York 10017,
USA.

Dear Sirs,

Exposure Draft
“Proposed Terms of Reference, Preface to the
International Standards on Quality Control, Auditing, Assurance
and Related Services and Operations Policy No 1 – Bold Type Lettering”

The Hong Kong Society of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft.

We set out in the attachment our responses to the questions raised in the Exposure Draft, and our comments on the “Structure of the IAASB’s Technical Pronouncements”.

If you have any questions on our comments, please contact our Deputy Director (Ethics & Assurance), Mr. Stephen Chan, in the first instance.

Yours faithfully,

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

WCC/SSLC/jc

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ATTACHMENT

HONG KONG SOCIETY OF ACCOUNTANTS' COMMENTS ON THE EXPOSURE DRAFT "PROPOSED TERMS OF REFERENCE, PREFACE TO THE INTERNATIONAL STANDARDS ON QUALITY CONTROL, AUDITING, ASSURANCE AND RELATED SERVICES AND OPERATIONS POLICY NO 1 – BOLD TYPE LETTERING"

Responses to the questions raised in the Exposure Draft

Question 1

Do the Terms of Reference appropriately reflect the IAASB's role as the international audit and assurance standard setter?

We believe the Terms of Reference appropriately reflect the IAASB's role as the international audit and assurance standard setter. The Terms of Reference are in line with our understanding of the IAASB's objective to improve auditing and assurance standards and the quality and uniformity of practice throughout the world, thereby strengthening public confidence in the global auditing profession.

Question 2

Do the Terms of Reference and Preface, when taken together, address all relevant matters?

We believe the Terms of Reference and Preface, when taken together, should address all relevant matters. Appendix to the Preface provides a good graphic illustration of the proposed structure of the IAASB's Technical Pronouncements.

Question 3

Is there a general support for retaining the distinction between bold and ordinary lettering?

We support the retaining of the distinction between bold and ordinary lettering.

Question 4

Is the restructuring of the Handbook understandable and effective?

We support the proposed restructuring of the Handbook.

Question 5

Are any terms, phrases, or concepts in the Preface that would be particularly difficult to translate into other languages or that might be ambiguous when translated?

No comment.

HONG KONG SOCIETY OF ACCOUNTANTS' COMMENTS ON THE EXPOSURE DRAFT "PROPOSED TERMS OF REFERENCE, PREFACE TO THE INTERNATIONAL STANDARDS ON QUALITY CONTROL, AUDITING, ASSURANCE AND RELATED SERVICES AND OPERATIONS POLICY NO 1 – BOLD TYPE LETTERING"

Other Comments

Structure of the IAASB's Technical Pronouncements

We note from point 5 of the Invitation to Comment as well as the diagram appeared on page 10 of the Exposure Draft that the new Structure of the IAASB's Technical Pronouncements will include four separate sections:

- (a) quality control;
- (b) audits and reviews of historic financial information;
- (c) assurance engagements on other subject matters; and
- (d) related services.

First of all, as regards the ISA framework, while we concur with the defined scope of this section, i.e., "audits and reviews of historic financial information", we believe that opportunity should be taken to review the audit process and reporting under ISA 800.

An audit of "historic financial statements" under ISAs 200-799 results in an auditor's report which includes an auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with a full GAAP financial reporting framework.

While we believe that many of the audit principles and procedures are equally applicable to the audits of "historic financial statements" as currently envisaged under ISAs 200-799 and audits of "other historic financial information" envisaged under ISA 800, the reporting thereof should be differentiated.

For auditors' reports issued under ISA 800 on "other historic financial information" such as statement of cash receipts and disbursements, schedule of accounts receivable or schedule of profit participation, etc, where in the absence of a generally accepted financial reporting framework, we believe that the expression of a "true and fair view" opinion by auditors on such information is not appropriate and in fact misleading and contributory to the expectation gap on the part of the users.

IAASB is requested to consider the provision of other form of opinion by auditors for "historic financial information" which is not prepared in accordance with a generally accepted financial reporting framework.

Further guidance should also be provided on the relevant audit principles and procedures that underline such engagements i.e., the relevant parts of ISAs 200-799 that are applicable to such engagements.