



By e-mail < Edcomments@ifac.org >

21 May 2008

Our Ref.: C/AASC

Executive Director, Professional Standards
International Auditing and Assurance Standards Board,
International Federation of Accountants,
545 Fifth Avenue, 14th Floor,
New York 10017, USA.

Dear Sir,

[IAASB Exposure Draft of proposed ISA 402 \(Revised and Redrafted\) Audit Considerations Relating to an Entity Using a Third Party Service Organization](#)

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.

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 at ong@hkiipa.org.hk.

Yours faithfully,

Steve Ong, FCA, FCPA
Deputy Director, Standard Setting

SO/ac
Encl.



ATTACHMENT

**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE IAASB
EXPOSURE DRAFT OF ISA 402 (REVISED AND REDRAFTED) AUDIT CONSIDERATIONS
RELATING TO AN ENTITY USING A
THIRD PARTY SERVICE ORGANIZATION**

Requests for Specific Comments

1. Views as to whether:

- (a) the ISA capable of being adapted, as necessary in the circumstances, to situations where an entity uses a shared service center which provides services to a group of related entities; and**
- (b) If there are additional opportunities within the Application and Other Explanatory Material where additional guidance relating to shared service centers could be added to enhance the ISA without duplicating material in other ISAs**

We believe that the proposed ISA is capable of being adapted, as necessary in the circumstances, to situations where an entity uses a shared service center which provides services to a group of related entities. Furthermore, we would welcome any additional guidance relating to shared service centers that could be added to enhance the ISA.

2. Is the objective to be achieved by the auditor, stated in the proposed revised and redrafted ISA, appropriate?

We believe that the objective is appropriate.

3. Are the proposed requirements appropriate responses to the objective?

We believe that the proposed requirements are appropriate responses to the objective.

Other Comments

4. Positioning of guidance material

We note that in paragraph A28 where there are discussions on matters where the user auditor may identify during the audit and may wish to communicate to management and those charged with governance of the user entity. However, there is no corresponding requirement in the Requirements section. We believe that the material is more appropriately positioned in the Requirements section of the standard with additional guidance in the Application and Explanatory Material section.

Though there is a separate proposed ISA 265 *Communication Deficiencies in Internal Control* which deals with the auditor's responsibility to communicate appropriately to management and those charged with governance deficiencies on internal control, there should be additional requirement for auditor to communicate deficiencies in the proposed ISA 402 to complete the process.

~ END ~