



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

By e-mail < Edcomments@ifac.org >

31 December 2007

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 Drafts of proposed ISA 220 \(Redrafted\) Quality Control for an Audit of Financial Statements and ISQC 1 \(Redrafted\) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements](#)

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 Drafts.

Before we comment on the subject IAASB Exposure Drafts, 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 ISQC and consider that generally the objectives to be achieved by the auditor, as stated in the proposed redrafted ISA and ISQC, are 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 proposals in the proposed redrafted ISA and ISQC 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@hkcipa.org.hk).

Yours faithfully,

Patricia McBride
Executive Director

PM/SO/ac

Encl.

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE IAASB EXPOSURE DRAFTS OF ISA 220 (REDRAFTED) QUALITY CONTROL OF AN AUDIT OF FINANCIAL STATEMENTS AND ISQC 1 (REDRAFTED) QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF FINANCIAL STATEMENTS, AND OTHER ASSURANCE AND RELATED SERVICES ENGAGEMENTS

Requests for Specific Comments

1. Are the objectives stated in the proposed redrafted ISA and ISQC 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. Authority of the ISQC

We support the IAASB's proposal to establish within the introduction section of the proposed ISQC 1 (Redrafted) the authority attaching the ISQC, the conventions used in its drafting, and the obligations of the firms that follow the standard. This is consistent with the amended Preface, which states that the authority of ISQCs will be set out within the ISQCs themselves.

4. Date of Completion of Engagement Quality Control Review

We agree with the IAASB's proposal to remove references to the "issuance of the auditor's report" and amending proposed ISA 220 and ISQC 1 (Redrafted) to conform to ISA 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* by referring to the "date of the auditor's report". This would ensure consistency amongst the relevant ISAs given that "issuance of the auditor's report" is not defined in the Glossary of Terms whereas "date of the auditor's report" has been defined.

5. Definition of Engagement Team

We support the IAASB's proposal to align its definition of "engagement team" in proposed ISA 220 and ISQC 1 to the definition being considered by the International Ethics Standards Board for Accountants (IESBA). This would enhance clarity and ease of understanding across the relevant pronouncements issued by the IAASB and IESBA. We therefore support the definition of engagement team as defined in paragraph 6(d) as "Partners and staff performing the engagement and any individuals engaged by the firm who perform audit procedures. This does not include auditor's external experts."

~ END ~