



By e-mail < 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, 14th 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.

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).

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".

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