



To: **HKSA members**
All other interested parties

HKSA INVITE COMMENTS ON IAASB'S EXPOSURE DRAFTS

(1) **Proposed Revised International Standard on Auditing 240 "The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements"**

(2) **Proposed Revised International Standard on Auditing 300 "Planning the Audit"**

The International Auditing and Assurance Standards Board (IAASB) is seeking comments on the Exposure Draft (ED) of Proposed Revised International Standard on Auditing (ISA) 240 "The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements" and also the ED of Proposed Revised ISA 300 "Planning the Audit".

The ED of Proposed Revised ISA 240 deals with the auditor's responsibility to consider fraud in an audit of financial statements and has been developed reflecting the proposals contained in the Audit Risk ED. The proposed ISA revises extant ISA 240 "The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements" and deals only with the auditor's responsibility to consider fraud in an audit of financial statements. The Audit Risk ED provides general guidance on the auditor's responsibility to consider both fraud and error. It is proposed that certain paragraphs from extant ISA 240, providing specific guidance with respect to error, will be moved to other ISAs. These paragraphs are noted at the end of the ED. The proposed ISA distinguishes fraud from error and describes the two types of fraud that are relevant to the auditor – misstatements resulting from misappropriation of assets and misstatements resulting from fraudulent financial reporting.

The ED of Proposed Revised ISA 300 deals with changes needed to align the guidance on audit planning with the proposed guidance in the Audit Risk ED and the recent trends in audit practice. The proposed ISA 300 discusses the requirement for the auditor to develop an "overall audit strategy" and an "audit plan". These new concepts reflect the need for the auditor to make strategic audit decisions and to develop work plans that reflect the design and performance of all audit procedures, including the performance of risk assessment procedures.

The IAASB's EDs have been posted on the Hong Kong Society of Accountants (HKSA) website at < <http://www.hksa.org.hk/professionaltechnical/assurance/exposedraft/> >. The IAASB's ED can also be found on-line at < <http://www.ifac.org/IAASB/> >.

The HKSA Auditing and Assurance Standards Committee (AASC) invites comments on the IAASB's EDs from any interested party and would like to hear from both those who do agree and those who do not agree with the proposals contained in the IAASB's EDs. Comments should be supported by specific reasoning and should preferably be submitted in written form.

To allow your comments on the IAASB's EDs to be considered and included in the HKSA's submissions to the IAASB, they are requested to be received by the HKSA on or before **15 October 2003**. Comments may be sent by mail, fax or e-mail to:

Deputy Director (Ethics & Assurance)
Hong Kong Society of Accountants
4th Floor, Tower Two, Lippo Centre
89 Queensway
Hong Kong

Fax number (+852) 2865 6776

E-mail: commentletters@hksa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

Upon finalization of the IAASB's EDs, the AASC intends to adopt them as local standards so that Hong Kong Auditing and Assurance Standards maintain conformity with current International Auditing and Assurance Standards at all times.

(August 2003)