

Statement Prepared by
Hong Kong Society of Accountants

Before the Legislative Council Panel on Financial Affairs

Thursday, 14 March 2002, 2:30 p.m.

Opening Remarks

1. We welcome this opportunity to contribute our views to the discussion of the subject “Initiatives to Strengthen Hong Kong’s Corporate Governance Regime”.
2. In your invitation to attend this special meeting of the Panel, specific references were made to the collapse of Enron, a listed company in the US, and the concerns to which this has given rise in relation to the ethics and standards of practices of the accountancy profession and corporate governance.
3. We understand that we are specifically requested to brief this Panel on the ethics and practices of the accounting profession in Hong Kong as a central issue within the wider subject of Hong Kong’s corporate governance that is under discussion today.
4. While we maintain that the Enron case is an isolated incident and is rare, we would like to say at the outset that the accounting profession has registered and takes seriously the public concerns expressed in recent weeks following the Enron affair in the States. HKSA works within and is an integral part of the body that represents the world accounting profession, the International Federation of Accountants (IFAC). Our profession, under the leadership of IFAC, readily accepts that the profession must contribute to reducing the occurrence of major failures such as Enron, and we will play our part in the drive for greater quality and consistency of accounting and auditing services and will continue our work to improve corporate governance.
5. That said, we do not propose to discuss in this meeting the specific accounting and auditing issues surrounding Enron. We do not know enough about the specifics of the case and the transactions involved, nor the complex and intricate systems in the United States of America and the environment in which they operate, to make value judgments. In any case, business failures seldom have simple causes, but are usually the result of a more complex interplay of various factors. Reform should be an on-going process rather than a knee-jerk reaction to sudden events or failures.

6. At the end of the day, all interested parties including management, auditors, banks, analysts, regulators, standard setters, the government and the investing public will learn from the Enron affair. Issues will be identified and solutions will be found to address them.
7. We plan to watch closely and learn from the recent events and proposed reforms in the US. If evidence emerges suggesting that changes are required in Hong Kong, we will, of course, do our best to ensure that all that needs to be done in order to maintain the highest possible standards is in fact done.
8. We hope, however, to make use of the opportunity in this meeting to respond to some questions and doubts raised by members of this Panel on a number of areas regarding Hong Kong's financial reporting standards, the role of the audit and audit independence and corporate governance practices.
9. We believe that concerns in these areas, while understandable given the widely reported problems that have been unfolding in the US following the Enron debacle, must be put into perspective.
10. We feel sure that the on-going efforts of our profession and others in this community have made significant progress towards building a sound and solid financial reporting foundation for Hong Kong. These efforts are on-going and we do not think we should let individual events overshadow them. After all, Rome was not built in one day.

Standard-setting

11. Let us turn first of all to HKSA's standard-setting regime.
12. HKSA sets accounting, auditing and ethical standards, compliance with which is a prerequisite for all HKSA members, whether they act as auditors, preparers/CFOs, executive or independent directors.
13. HKSA has since 1993 laid down the policy to model Hong Kong standards on international standards.
14. We further strengthened this policy in 1999 by introducing a harmonization programme that saw Hong Kong accounting and auditing standards very close to fully aligned with the full set of International Standards on Auditing (ISAs) issued by IFAC, and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB).
15. We have provided in Appendix 1 a comparison table, which shows that our standards are almost in tandem with the international standards.

16. Having achieved harmonization with the existing international standards and looking ahead, we have recently put in place a new, open and transparent due process to ensure the timely adoption of new and revised IASs, ISAs and the IFAC Ethics Code into our Hong Kong Standards.
17. We expect that by end 2002, we will achieve full process convergence with the international standard setting bodies, which means that by then we will be setting same standards simultaneously as these bodies.
18. We also provide in Appendix 2 the composition of our Financial Accounting Standards Committee (FASC) and Auditing Standards Committee (AuSC), which shows that both Standard-setting Committees are widely representative.
19. We have indicated our support for the recommendations set out in the Standing Committee on Company Law Reform's Consultation Report regarding the composition of the FASC and AuSC. We would like to confirm that the recommendations will be implemented in the 2002-2003 term of the Council, to coincide with our standards and process convergence plan with the International Standards by the end of 2002.
20. The international standards (IAS, ISA and IFAC Ethics Code) on which Hong Kong standards are based follow a framework/principle-based approach as opposed to the rule-based approach adopted in the US.
21. The framework approach, which puts substance over form, is regarded as more effective as a safeguard against abuse. The kind of off-balance sheet finance arrangements through special purpose entities (SPE) permitted under US Generally Accepted Accounting Principles (US GAAP) would not have been permitted under IAS, nor under Hong Kong Accounting Standards (SSAP 32), which have fully adopted the IAS "control" concept for group consolidation and in particular the accounting for SPE in group accounts.
22. Sir David Tweedie, the IASB Chairman, in his recent speech to the US Congress, explained why the IASB has chosen a principle-based as opposed to rule-based approach to standard-setting. He also commented in relation to USGAAP that it tends, on the whole, to be more specific in its requirements and include much more detailed implementation guidance, and in his view, this approach is a product of the environment in which U.S. standards are set.

"The IASB has concluded that a body of detailed guidance (sometimes referred to as bright lines) encourages a rule-book mentality of "where does it say I can't do this?" We take the view that this is counter-productive and helps those who are intent on finding ways around standards more than it helps those seeking to apply standards in a way that gives useful information. Put simply, adding the detailed guidance may obscure, rather than highlight, the underlying principle. The emphasis tends to be on compliance with the letter of the rule rather than on the spirit of the accounting standard."

23. No standard can claim to be flawless, they are by nature continuously evolving. However, we should let you know that we have a sound standard-setting regime to keep us in line with international benchmarks. The wide and balanced representations of the FASC and AuSC, together with the Council's determination to model our standards based on international standards, have ensured that the standard-setting process in Hong Kong is independent and much less vulnerable to business and political lobbying.
24. HKSA has a long-standing record of willingly driving the process of improving quality and integrity on our own initiative. We will continue to review and refine our approach where necessary.

The Auditors' Role and Audit Independence

25. We would like to move on next to the subject of the audit scope and audit independence.
26. We should first explain some facts about the role of audit as it seems always misunderstood.

Role of Audit

- (i) Auditors are appointed by shareholders of a company to audit and report to the shareholders on the accounts prepared by the directors laid before the company in general meeting.
- (ii) The auditors' job is to report on whether the accounts for a year that has already ended, show a true and fair view in compliance with accounting standards. They are not responsible for preparing the company's accounts or managing the company.
- (iii) The management are responsible for running the company's business, preparing financial statements, ensuring that adequate systems of control are in place and keeping shareholders and the market informed of important events.
- (iv) Auditors are required to be independent of the company and management and they must follow a rigorous code of Auditing and Ethical standards to ensure quality of their work. Those who fail to observe the standards in Hong Kong are subject to disciplinary action by HKSA.
- (v) The auditors can provide a "reasonable assurance" on the annual accounts. They cannot, and will not, guarantee the financial health of the company.
- (vi) It has been accepted by the court that the auditor is a watchdog not a bloodhound. The law requires him to form an opinion on the view given in the accounts. On the other hand, auditing standards (benchmarked with ISAs) provide the framework based upon which the auditors should check

the accounting records and documents presented to him by the management and reach his audit opinion. He is required to exercise reasonable skepticism when reviewing the transaction presented to him by management, but he is not expected to perform an investigation into the authenticity of those transaction.

- (vii) If the management are perpetrating calculated fraud or conspiring to hide information from auditors, the auditors will not always be able to find this out.
- (viii) Unfortunately, senior management fraud or bad business decisions have been a prevalent factor in the history of major business collapses.
- (ix) Often, the question of whether the auditors should do more is a question of the balancing cost and benefit.
- (x) Fraud discovery is a much more in-depth and costly process.

Audit Independence

- 27. "Audit Independence" has become the focus of much attention worldwide in recent weeks, following the Enron collapse. With the spotlight firmly on the question of the perceived independence of audit firms which provide non-audit services for their audit clients, it would perhaps be a good starting point to comment by clarifying the Hong Kong position on this issue.
- 28. We would state categorically that professional independence is a concept fundamental to the accountancy profession. We take pride in our reputation for excellence and integrity in this regard. The HKSA has a clear set of ethical standards for members to follow, which include guidance on independence, objectivity and integrity, practice promotion, fees, clients' monies, confidentiality, etc, and we have an effective enforcement regime to safeguard our members' adherence to these principles.
- 29. Our ethics standards on Independence, based on the UK principles, are continually being updated to align with international developments.
- 30. An updated International Code of Ethics for Professional Accountants featuring new rules on independence has recently been released. This is the result of international consultation by IFAC over the last three years in the form of a Discussion Draft issued in August 1999; an Exposure Draft issued in June 2000; and a Re-Exposure Draft issued in April 2001.
- 31. The International Code is intended to serve as a model on which to base national ethical guidance for accountants worldwide.
- 32. HKSA has decided to adopt the Code as soon as it is finalized and had therefore taken part in the review of the Draft Code throughout the consultation process.

33. Following the finalisation of the Code in December 2001, the HKSA Ethics Committee has started work to adopt the IFAC Code of Ethics as a model on which to base our ethical guidance for professional accountants in Hong Kong.
34. Our current standard as well as the IFAC Code has followed a substance over form, principle-based, approach, and is not designed in such a way as to impose a ban on certain services, but rather to provide guidance on specific circumstances and relationships that pose a threat to independence and safeguards to mitigate threats.
35. A ban is imposed by reference to the principle under the Code that no safeguard could reduce the threat to independence to an acceptable level. Our current standard recognizes the possible threat to independence created by the quantum of fees, and imposes a benchmark that fees from any one client should not exceed 15% of the total fee income of the firm. It also deals in depth with other issues of potential threats, such as:-
- personal relationships (no member should personally be involved in an audit if he or she has worked with the client company during the previous two years);
 - financial involvement (insurance, pension products and units in a mutual fund which holds shares in a client company are permitted, but other direct and indirect beneficial interests should not be held by any staff member involved in auditing the company); and
 - on the provision of non-audit services such as management consulting, the standard requires firms to take care not to perform management functions.

These requirements are consistent with the existing and updated IFAC Code.

36. The updated IFAC Code also identifies a number of examples where it is considered that there is no adequate safeguard to reduce threats to an acceptable level and members should not perform such work for their audit clients under normal circumstances. These include specific types of legal, corporate finance and valuation services, and accounting records and financial statement preparation for listed audit clients.
37. The above examples are given under the conceptual framework that an auditor should be free in each professional assignment he undertakes of any interest which might detract from objectivity. This requirement applies to both reporting and other professional work. The IFAC Code sets out factors that pose a threat to independence and firms are required to identify and evaluate these threats for every non-audit assignment and put in place proper safeguards to preserve their independence.
38. While we agree that the provision of non-audit services to an audit client may pose a real or perceived threat to independence, we do not believe that a

rule-based approach to impose a ban on some or all such services will serve the good or interest of either the public or the profession. Again, quoting Sir David Tweedie's words, the rule-based approach is "counter-productive and helps those who are intent on finding ways around standards more than it helps those seeking to apply standards".

39. Recent talk about separation of audit and consultancy is somewhat misguided. One has to determine first of all what is meant by "consulting". But where does one draw the line?
40. Many services provided to an audit client may be construed as advice or consulting, but they are so closely linked to the audit that as a practical matter only the auditor can provide them.
41. For example, during the audit process, the management typically request and receive significant input regarding such matters as accounting principles and financial statement disclosure, the appropriateness of controls and the methods used in determining the stated amount of assets and liabilities. Technical assistance of this nature and advice on accounting principles for audit clients are a necessary means to promote the fair presentation of the financial statements. Banning such services would jeopardize and in fact hinder an efficient and cost effective audit.
42. We would say that should it be decided that auditors should cease to provide such services to their audit clients, this will significantly reduce rather than enhance the standard of corporate financial reporting. For argument sake, if all consultancies are banned on the auditors, the audit could evolve to such an extent that despite having identified audit adjustments, the auditors could not communicate them to the management but can only revert to qualify the accounts.
43. The use of the word 'independence' on its own may create misunderstanding. Standing alone, the word may lead observers to suppose that a person exercising professional judgment ought to be free from all economic, financial and other relationships with others. This is impossible, as every member of society has relationships with others.
44. What we require our members to do under the IFAC "conceptual framework" is to exercise professional judgment and objectivity with regard to the public interest, which include, an obligation to identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action and safeguards to eliminate or reduce them to an acceptable level.
45. These safeguards include:
 - Policies and procedures to prohibit professional staff from making management decisions for the assurance client, or assuming responsibility for such decisions.

- Discussing independence issues related to the provision of non-assurance services with those charged with governance, such as the audit committee.
 - Disclosing to those charged with governance, such as the audit committee, the nature and extent of all fees charged.
 - Policies within the assurance client regarding the oversight responsibility for provision of non-assurance services by the firm.
 - Involving an additional professional accountant to advise on the potential impact of the non-assurance engagement on the independence of the member of the assurance team and the firm.
 - Involving an additional professional accountant outside of the firm to provide assurance on a discrete aspect of the assurance engagement.
 - Making arrangements so that personnel providing non-assurance services do not participate in the assurance engagement.
 - Managing the professional work in such a manner so as to avoid the interest of one client adversely affecting those of the other.
46. When the safeguards are insufficient to eliminate the threats to independence or to reduce them to an acceptable level, the firm is expected to decline the work or withdraw from the assurance engagement.
47. It is stated at the outset of the IFAC Code that “... A conceptual framework that requires firms and members of assurance teams to identify, evaluate and address threats to independence, rather than merely comply with a set of specific rules which may be arbitrary, is , in the public interest. (Para. 8.10).
48. IFAC’s leadership is confident that the updated Code will contribute to increased public confidence in the assurance services provided by the world’s accountants. “Such high quality standards are the fundamental underpinnings of the world’s financial markets,” states Aki Fujinuma, president of IFAC.
49. We agreed and intend to put the Code in place in Hong Kong as soon as possible. We believe that as long as our members adhere to the laid down principles as defined in our ethics standards, non-audit work will not compromise independence.
50. The Code which is 120 pages long may be downloaded from IFAC’s Website at www.ifac.org.
51. We would point out that the controversial independence issues that have arisen in the US are generally attributed to the dramatic growth in the size of some audit firms’ consulting businesses relative to audit, and the widespread provision of management consulting services to audit clients. By contrast,

audit and other traditional professional services, such as tax advisory, are still the mainstream services provided by accountants in Hong Kong.

Regulatory Framework

52. The Society has the authority and machinery to set accounting auditing and ethics standards and to discipline those members of the profession who fail to observe such standards, irrespective of whether they work as auditors or preparers of financial statements (CFO/directors etc.). This self-regulatory framework is complemented by the Society's control of entrance into public practice through professional examinations and practical experience requirements, and by its structured programme of continuing professional education through seminars, courses and reading materials.

53. The HKSA started its own initiatives and in its Fourth Long Range which was published in year 2000, it decided, amongst other things, to conduct an overall review of the Society's self-regulatory system including a review of both its disciplinary process and practice review process. The HKSA's policy direction is very clear

- Greater openness and transparency

We published a white paper on improving disciplinary hearing proceedings back in September 2000 with a view to making our disciplinary hearing process more open and transparent. With membership and community support, we will make our hearings public and increasing lay members on disciplinary committees.

- Involvement of lay members

While there will be a continued need for those familiar with financial reporting and audit work to participate in our practice review, investigatory and disciplinary committee work, we also recognise the importance and contributions of lay members to the enforcement process. We invite, for example, the Hong Kong Law Society and the Hong Kong Bar Association to nominate their experienced members to serve on our disciplinary panel.

- Independence of the regulatory process

Under the current legislation, the Society's Council cannot influence the work of the statutory committees (Investigation Committee and Disciplinary Committee). There is no cross membership between Council members and members of these committees and we observe strictly the conflict of interest issues during deliberations.

54. The Society has demonstrated its ability to self-regulate through its system of practice review, which it has operated since September 1992 and professional

standards monitoring since the 1980's. We have since completed a total of 1,013 practice review cases. Under this system, the Society reviews and monitors the quality control procedures and compliance of all audit practices with ethical, auditing and accounting standards. The reviews provide assurances that a high standard of independent professional work is maintained. The system of practice review is currently under review with the objective to identify areas where it can be further improved to enhance effectiveness.

55. In addition to its own regulatory work, HKSA works closely with other regulators including the SFC and HKEx with the common goal to maintain an effective and efficient corporate governance regime in Hong Kong.

Corporate Governance Practices

56. Since the formation of our Corporate Governance Working Group (later renamed Corporate Governance Committee) in 1994, the Society has undertaken numerous studies and produced a series of study reports and practice guidance to promote good corporate governance practices in Hong Kong.

57. In our First Report, published in 1995, we made 19 recommendations for improved corporate governance standards and practices. When we recently took stock of the extent of implementation of these recommendations, we were pleased to find that many of them have since been formally adopted by the Stock Exchange in the form of additional Listing Rules or by inclusion in the Stock Exchange's Code of Best Practice.

58. There are, however, a number of other items, which remain to be implemented.

59. A number of these will have a significant enhancement effect in relation to some of the issues to which we have outlined in this paper. We would therefore like to draw your attention to these in the hope that we will be able to enlist your assistance in promoting their early adoption in Hong Kong:-

I. **Mandatory appointment of a CFO (who should be a qualified accountant) at board level:**

- with designated responsibility for the finance function;
- who should be a signatory to the financial statements on behalf of the board; and
- have the right of access to the Audit Committee.

60. The growing complexity of financial reporting, corporate financial arrangements and activities, and the development of highly technical financial instruments suggest that it would be appropriate to appoint a qualified accountant as chief financial officer in each regulated and listed corporation. The Society's membership would be one suitable qualification.

61. We believe the appointment of a qualified accountant with special responsibility for the financial statements would provide a better assurance of the quality of accounting information and its compliance with generally accepted accounting principles. In this way, where the preparer of the accounts is a member of HKSA, he would be subject to the regulation of the Society to maintain high professional standards and would be directly accountable to the Society for his professional conduct. This would give added protection to minority shareholders and so be in the public interest.

62. This requirement has been incorporated in the Rules of the Growth Enterprise Market (GEM), but has not so far been introduced into the Main Board.

II. Disclosure of fees paid to auditors in respect of other non-audit services

63. Such disclosure would increase the transparency of the auditors' independence, and we see great benefits in its early adoption by companies. However, while this practice has the profession's endorsement, responsibility for implementation of it would remain with the companies and the regulators. We would of course encourage voluntary disclosure by the companies concerned before such disclosure becomes a mandatory requirement.

III. Effectiveness of Audit Committee

64. We published a practice code on audit committees in 1997 and an updated edition has just been released in February 2002. The code set out detailed guidance regarding the responsibilities of the audit committee, independence and quality of its membership, meeting & reporting functions, etc. The code has been developed to benchmark good practices and has been referred to in the Stock Exchange's Code of Best Practice. While it has no mandatory force, we actively promote and encourage its voluntary adoption by companies. We believe that if companies follow the principles laid down in the code, they will be more likely to have an effective audit committee.

65. We should also like to point out that one of the functions that we have prescribed in our practice code for the audit committee is to assess the quality of the service and the reasonableness of the fees charged by the auditors. The audit committee should keep under review the nature and extent of non-audit services provided by the auditors, to strike a balance between ensuring the auditors' objectivity and cost-effectiveness and efficiency to the company for engaging them to do the work (see also paras. 44 above).

IV. Disclosure of meeting and attendance record

66. To contribute to the transparency of the company as to how it runs its business:-

(i) Disclosure of the number of meetings held during the year of the board, audit committee and remuneration committee.

- (ii) Disclosure of the attendance records of individual directors in relation to meetings of the board, audit committee and remuneration committee.

Financial Reporting Model– Looking to the Future

- 67. There is a common complaint that the relative absence of up-to-date information with which to assess corporate earning capacity, coupled with the pace of change, helps explain the volatility of today's share prices. Investors need more frequent corporate financial and non-financial disclosures (e.g. on-line, real-time) to make informed investment decisions. Recent initiatives proposed by the Stock Exchange will address these needs.
- 68. Looking to the future, companies would be producing the new disclosures with the desired frequency over the internet; auditors would be providing contemporaneous assurance that the information was reliable; investors would benefit from better decision-making information; productive corporations would benefit from a lower cost of capital; and the economy would be growing with even more stability and promise.
- 69. To realize this vision, both the reporting model and the focus of auditing must change. Steps toward this new direction have already begun. Companies' accounting and reporting processes will be more automated and standardized. Auditors in this new world will be reporting on information systems. They will be focusing heavily on preventive controls and providing assurance that information systems are operating effectively and sufficiently to produce reliable information.
- 70. Initiated by the joint efforts of the world accounting profession, new reporting technology (such as XBRL) and assurance models (WebTrust, SysTrust, DataTrust) are emerging that will facilitate continuous reporting and auditing to meet the needs of the knowledge economy. HKSA is cognizant of the need of the accounting profession in Hong Kong to keep an open mind to new developments elsewhere in the world and is playing an active part in these new and exciting developments.

Closing Remarks

- 71. In closing, we hope that we have explained our position and contributions towards the issues under discussion today. The Society supports any initiatives to improve Hong Kong's financial reporting standards and assurance services. We will work closely with LegCo, the Government and other regulators to create a business environment that will benefit local and overseas investors to maintain Hong Kong's status as an international financial centre of the world.

HONG KONG SOCIETY OF ACCOUNTANTS
WCC/ky
13 March 2002

Appendix 1A

Update on Hong Kong Statements of Standard Accounting Practice (HKSSAPs) VS International Accounting Standards (IASs)

IAS No.	Name of Statement	SSAP No.	Up-to-date	Targeted completion date
IAS 1	Presentation of Financial Statements	SSAP 1		
IAS 2	Inventories	SSAP 22		
IASs 3-6	Withdrawn	N/A		
IAS 7	Cash Flow Statements	SSAP 15		
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.	SSAP 2		
IAS 9	Research and Development Costs (superseded by IAS 38)	SSAP 16		
IAS 10	Events After the Balance Sheet Date	SSAP 9		
IAS 11	Construction Contracts	SSAP 23		
IAS 12	Income Taxes		Exposure draft	30 April 2002
IAS 13	Withdrawn	N/A		
IAS 14	Segment Reporting	SSAP 26		
IAS 15	Information Reflecting the Effects of Changing Prices		On hold	
IAS 16	Property, Plant and Equipment	SSAP 17		
IAS 17	Leases	SSAP 14		
IAS 18	Revenue	SSAP 18		
IAS 19	Employee Benefits	SSAP 34		
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	SSAP 35		
IAS 21	The Effects of Changes in Foreign Exchange Rates		On hold	*
IAS 22	Business Combinations	SSAP 30		
IAS 23	Borrowing Costs	SSAP 19		
IAS 24	Related Party Disclosures	SSAP 20		
IAS 25	Accounting for Investments (Superseded by IAS 39 and IAS 40)	SSAP 13 and 24		
IAS 26	Accounting and Reporting by Retirement Benefit Plans	2.302 "Financial statements of retirement schemes"		
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	SSAP 32		
IAS 28	Investments in Associates	SSAP 10		
IAS 29	Financial Reporting in Hyperinflationary Economies		On hold	
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	HKMA Best Practice Guide		
IAS 31	Financial Reporting of Interests in Joint Ventures	SSAP 21		
IAS 32	Financial Instruments: Disclosure and Presentation		Exposure Draft	
IAS 33	Earnings Per Share	SSAP 5		
IAS 34	Interim Financial Reporting	SSAP 25		
IAS 35	Discontinuing Operations	SSAP 33		
IAS 36	Impairment of Assets	SSAP 31		
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	SSAP 28		
IAS 38	Intangible Assets	SSAP 29		
IAS 39	Financial Instruments: Recognition and Measurement		Exposure Draft	
AS 40	Investment Property		In discussion	
IAS 41	Agriculture		Exposure Draft	Sept 2002

(As at 12 March 2002)

Appendix 1B

Update on Hong Kong Statements of Auditing Standards (HKSASs)/ Hong Kong Standards on Assurance Engagements (HKSAEs)

Vs International Standards on Auditing (ISAs)

	Title		Title	Remarks
--	Preface to ISAs and related services	HKSAS 010	The scope and authority of auditing pronouncements	
ISA 120	Framework of ISAs			
ISA 100	Assurance engagements	HKSAE 100	Framework for assurance engagements intended to provide either a high or moderate level of assurance	
		HKSAE 200	High level assurance engagements	
ISA 200	Objective and general principles governing an audit of financial statements	HKSAS 100	Objective and general principles governing an audit of financial statements	
ISA 210	Terms of audit engagements	HKSAS 140	Engagement letters	
ISA 220	Quality control for audit work	HKSAS 240	Quality control for audit work	
ISA 230	Documentation	HKSAS 230	Documentation	
ISA 240	The auditor's responsibility to consider fraud and error in an audit of financial statements	HKSAS 110	The auditors' responsibility to consider fraud and error in an audit of financial statements	
ISA 250	Consideration of laws and regulations in an audit of financial statements	HKSAS 120	Consideration of laws and regulations in an audit of financial statements	
ISA 260	Communications of audit matters with those charged with governance	HKSAS 610	Communications of audit matters of governance interest with directors or management	
ISA 300	Planning	HKSAS 200	Planning	
ISA 310	Knowledge of the business	HKSAS 210	Knowledge of the business	
ISA 320	Audit materiality	HKSAS 220	Audit materiality	
ISA 400	Risk assessments and internal control	HKSAS 300	Audit risk assessments and accounting and internal control systems	
ISA 401	Auditing in a computer information systems environment	HKSAS 310	Auditing in a computer information systems environment	
ISA 402	Audit considerations relating to entities using service organizations	HKSAS 480	Audit considerations relating to entities using service organizations	
ISA 500	Audit evidence	HKSAS 400	Audit evidence	
ISA 501	Audit evidence - additional considerations for specific items	HKSAS 401	Audit evidence - considerations for specific items	
ISA 505	External confirmations	HKSAS 402	External confirmations	
ISA 510	Initial engagements – opening balances	HKSAS 450	Opening balances and comparatives	
ISA 520	Analytical procedures	HKSAS 410	Analytical procedures	
ISA 530	Audit sampling and other selective testing procedures	HKSAS 430	Audit sampling	
ISA 540	Audit of accounting estimates	HKSAS 420	Audit of accounting estimates	
ISA 550	Related parties	HKSAS 460	Related parties	
ISA 560	Subsequent events	HKSAS 150	Subsequent events	

	Title		Title	Remarks
ISA 570	Going concern	HKSAS 130	Going concern	
ISA 580	Management representations	HKSAS 440	Representations by management	
ISA 600	Using the work of another auditor	HKSAS 510	Principal auditors and other auditors	
ISA 610	Considering the work of internal auditing	HKSAS 500	Considering the work of internal auditing	
ISA 620	Using the work of an expert	HKSAS 520	Using the work of an expert	
ISA 700	The auditor's report on financial statements	HKSAS 600	Auditors' report on financial statements	
ISA 710	Comparatives	HKSAS 450	Opening balances and comparatives	
ISA 720	Other information in documents containing audited financial statements	HKSAS 160	Other information in documents containing audited financial statements	
ISA 800	The auditor's report on special purpose audit engagements			On hold.
ISA 810	The examination of prospective financial information			In discussion. The Hong Kong equivalent is Auditing Guideline 3.341 "Accountants' report on profit forecasts".
ISA 910	Engagement to review financial statements	HKSAS 700	Engagements to review interim financial reports	
ISA 920	Engagements to perform agreed-upon procedures regarding financial information	HKSAS 710	Engagements to perform agreed-upon procedures regarding financial information	
ISA 930	Engagements to compile financial information	HKSAS 720	Engagements to compile financial information	
		HKSAS 470	Overall review of financial statements	No equivalent ISA.

(As at 12 March 2002)

Appendix 2A

HKSA - FINANCIAL ACCOUNTING STANDARDS COMMITTEE

COMPOSITION FOR 2002

1.	Mr. BEST	Roger Thomas(Chairman)	Deloitte Touche Tohmatsu	A
2.	Mr. WILKINSON	John Bernard (Deputy Chairman)	-	X
3.	Mr. WINKELMANN	Paul Franz (Deputy Chairman)	PricewaterhouseCoopers	A
4.	Mr. CHAN	Wing Nang, Billy	Billy Chan & Co.	A
5.	Ms. CHEUNG	Sau Ying, Olivia	Hong Kong Exchanges & Clearing Ltd.	R
6.	Mr. FUNG	Hon Kwong, Tommy	Arthur Andersen & Co.	A
7.	Mr. GRIEVE	Charles Ramsay	Securities & Futures Commission	R
8.	Mr. HILLIARD	Philip Mckenzie	Craigie Limited	I
9.	Ms. PATTLE	Sheila Helen	KPMG	A
10.	Mr. RAPER	Christopher William	Swire Pacific Limited	P
11.	Mr. REID	Nigel James Hamilton	Ernst & Young	A
12.	Mr. TAYLOR	Stephen	Deloitte Touche Tohmatsu	A
13.	Prof. TSUI	Judy	City University of Hong Kong	W
14.	Mr. WILLIAMSON	Andrew Gordon	Hongkong and Shanghai Banking Corp.	U/P
15.	A nominee of the Hong Kong Institute of Directors - Awaiting IOD confirmation			B/P

Key to representation :

- A: Accountants in public practice
- U: Users of financial statements
- P: Preparers of financial statements
- B: Business community
- R: Regulators of the securities and banking industries
- W: Academia
- I: Investment community
- X: Private user in public community

Appendix 2B

HKSA - AUDITING STANDARDS COMMITTEE

COMPOSITION FOR 2002

1.	Mr. SUN	Tak Kei, David (Chairman)	Ernst & Young	A
2.	Mr. CHOW	Chan Lum, Charles (Deputy Chairman)	Wong Brothers & Co.	A
3.	Mr. LIU	Kennedy (Deputy Chairman)	Arthur Andersen & Co.	A
4.	Mr. BENNETT	Andrew	Ernst & Young	A
5.	Mr. CHENG	Patrick	South China Capital Ltd.	U
6.	Mr. GEORGE	Richard John Weir	Deloitte Touche Tohmatsu	A
7.	Ms. LI	Yin Fan, Fanny	BDO International	A
8.	Mr. SHUM	Man To	Government of HKSAR, Treasury	G
9.	Mr. TAI	Hay Yuen	Tai, Kong & Company	A
10.	Mrs. WA LIANG	Hsien Shau, Jeanette	City University of Hong Kong	W
11.	Mr. WINKELMANN	Paul Franz	PricewaterhouseCoopers	A
12.	Ms. WONG	Sau Ling, Shirley	KPMG	A
13.	Mr. YUEN	Kwok Keung, Desmond	Grant Thornton	A
14.	A nominee of the Hong Kong Monetary Authority – Awaiting HKMA confirmation			R
15.	Vacant (A banker)			B

Key to representation:

- A: Accountants in public practice
- B: Banking industry
- G: Government
- U: Users of financial statements
- R: Regulators of the securities, banking and insurance industries
- W: Academia

