



Minutes of the 321<sup>st</sup> meeting of the Auditing and Assurance Standards Committee held on Tuesday, 18 October 2011 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mr. Jack Chow (Chairman)  
Mr. Derek Broadley (Deputy Chairman)  
Mr. Stephen Chan  
Mr. Colin Chau  
Mr. Raymond Cheng  
Ms. Mabel Cheung  
Mr. John Chong  
Mr. Paul Phenix  
Mr. Keith Pogson (Dial-in)

In attendance: Mr. Steve Ong, Director, Standard Setting  
Ms. Selene Ho, Associate Director, Standard Setting  
Ms. Phoebe To, Manager, Standard Setting  
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Mr. Alun Grassick, Ms. Grace Ma, Mr. Charlix Wong and Ms. Joyce Woo.

**2466. Minutes of the 320<sup>th</sup> Meeting**

The minutes of the 320<sup>th</sup> meeting were approved by the Committee and signed by the Chairman.

**2467. AASC Work Plan 2011 – Status Report**

The Committee considered the status report of the Work Plan for 2011 and noted the progress made on the various projects.

**2468. Revised Practice Note 830 Reports by Auditors Under the Banking Ordinance**

The Committee considered and endorsed the revised PN 830 for issuance as Exposure Draft for two months.

[Post meeting note: ED of the revised PN 830 was issued on 19 October 2011 for comments until 19 December 2011 and is available at: [http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/Audit-n-assurance/ed-2011/rev\\_pn830ed.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/ed-2011/rev_pn830ed.pdf) ]

**2469. Progress report on the Implementation of revised Bank Confirmation**

The SSD reported to the Committee in regards to the meeting held on 20 September 2011 with the representatives from banks who replied to the Bank Confirmation Survey conducted in June 2011 and had requested for clarification on certain issues on the revised bank confirmation.

Action

The concerns of the banks on the revised bank confirmation were resolved except for a matter which related to the compliance with the Personal Data (Privacy) Ordinance. The SSD had sent a request to the General Counsel seeking legal opinion on this and would inform the Committee of any progress.

SSD

The Committee also considered the draft Chinese translations of the bank confirmation request form in traditional Chinese for use in Hong Kong and in simplified Chinese for use in the PRC in relation to the audits of Hong Kong companies. The Committee approved the posting of these two forms on the HKICPA website.

[Post meeting note: The Chinese translations of the bank confirmation request form were posted on 19 October 2011 and are available at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/example-reports/>]

**2470. Implication of paragraph 15 of HKSA 705 (Clarified) Modifications to the Opinion in the Independent Auditor's Report on company and group levels financial statements**

The Committee requested the SSD to send an enquiry to the IAASB setting out all the different audit opinions commonly issued for non consolidation of group accounts. The Committee also suggested the SSD to contact the UK standard setters on this issue as the UK legal requirements are similar to those of Hong Kong.

SSD

**2471. Revised Circular on Reporting on the Audit of Schools (Circular)**

The Committee noted that a meeting was held with the Education Bureau (EDB) on 20 July 2011 to finalize the revised Circular and an in depth discussion was held on the use of the word "correct" in the auditor's report.

The Committee considered and endorsed the revised Circular for final issuance. The Committee also suggested informing the EDB to consider amending the relevant laws or regulations to align with the latest auditing standards.

SSD

[Post meeting note: The revised Circular was issued on 20 October 2011 and is available at: [http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/audit%20of%20schools%20v16.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/audit%20of%20schools%20v16.pdf)]

**2472. Revised HKSIR 400 Comfort Letters and Due Diligence Meetings**

A member of the Accountants' Report Sub-Committee reported the latest development on the revised HKSIR 400 and clarified certain concerns raised by the Committee.

The Committee endorsed the revised HKSIR 400 for issuance, subject to any editorial amendments.

SSD

[Post meeting note: The revised HKSIR 400 was issued in Update 108 of

the Members' Handbook on 28 October 2011 and is available at: [http://app1.hkicpa.org.hk/hksaebk/HKSA\\_Members\\_Handbook\\_Master/updates/update108.pdf](http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update108.pdf)]

**2473. An enquiry on modified reports under Practice Note 840 The Audit of Solicitors' Accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules**

The Committee considered the request from a member firm to communicate with the Law Society of Hong Kong in respect of issuing an adverse opinion in a report prepared in accordance with PN 840 which has been rejected by the Law Society.

The SSD was requested to communicate with the Law Society on this matter. SSD

**2474. Update on Companies Ordinance Rewrite**

The SSD reported that a preliminary response was received from the Companies Bill Team on the views of the HKICPA in relation to the Companies Ordinance Rewrite.

The Committee expressed serious concerns on Clause 399 – "Offence relating to contents of auditor's report" and considered that it related to the reform of the accounting profession as a whole. The Committee was of the view that this should be escalated to the Council. The SSD was requested to forward the Committee's comments to the appropriate senior management of the Institute. SSD

There being no further business, the meeting closed at 9:50 a.m.

JACK CHOW  
CHAIRMAN

28 October 2011