

*Basis for Conclusions*

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**Amendments to Hong Kong  
Standard on Auditing 700  
(Revised), *Forming an Opinion  
and Reporting on Financial  
Statements***

**and**

**Conforming and Consequential  
Amendments to Other Hong  
Kong Standards on Auditing and  
Other Non-authoritative Materials**



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

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This Basis for Conclusions is prepared by the HKICPA and is intended to provide information to members on the Institute's *Amendments to Hong Kong Standard on Auditing 700 (Revised), Forming an Opinion and Reporting on Financial Statements and Conforming and Consequential Amendments to Other Hong Kong Standards on Auditing and Other Non-authoritative Materials* only. Professional advice should be taken before applying the content of this publication to your particular circumstances. While the HKICPA endeavours to ensure that the information in this publication is correct, no responsibility for loss to any person acting or refraining from action as a result of using any such information can be accepted by the HKICPA.

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## I. INTRODUCTION

1. This Basis for Conclusions has been reviewed and approved by the Auditing and Assurance Standards Committee (“AASC”) of the Hong Kong Institute of Certified Public Accountants (“HKICPA” or the “Institute”). It is provided for the benefit of stakeholders to gain an understanding of the background to the *Amendments to Hong Kong Standard on Auditing 700 (Revised), Forming an Opinion and Reporting on Financial Statements* (“HKSA 700 (Revised)”) and *Conforming and Consequential Amendments to Other Hong Kong Standards on Auditing and Other Non-authoritative Materials*.
2. This Basis for Conclusions does not form part of the *Amendments to Hong Kong Standard on Auditing 700 (Revised), Forming an Opinion and Reporting on Financial Statements and Conforming and Consequential Amendments to Other Hong Kong Standards on Auditing and Other Non-authoritative Materials*.

## II. BACKGROUND

3. The accounting sector has long been concerned about the issue of “bogus accountants”. The problem of “bogus accountants” generally encompasses two issues:
  - (a) An unqualified person pretending to be, *inter alia*, a certified public accountant (practising) (“CPA (Practising)”) and providing audit services<sup>1</sup>;
  - (b) Recklessly signing the auditor’s report of which the audit engagements may be performed through intermediaries.
4. In October 2024, the Financial Services and the Treasury Bureau (“FSTB”) of the Government of the Hong Kong Special Administrative Region in its [announcement](#) emphasized the commitment to ensuring audit quality by tackling this long-standing issue so as to safeguard the steady and orderly development of the accounting profession in Hong Kong.
5. This commitment is critical as auditor’s reports serve as a key assessment basis for many government policies, such as taxation and funding programs. The presence of bogus accountants can undermine the effectiveness of the government’s public finance management, making it necessary to consider additional measures to tackle this issue more effectively.
6. Accordingly, the FSTB collaborated with the Accounting Financial Reporting Council (“AFRC”), the Inland Revenue Department and the Institute to address the issue by introducing the following measures:
  - (a) To revise the relevant Hong Kong Standards on Auditing (“HKSA”) to mandate the indication of the practising certificate number in the auditor’s report.

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<sup>1</sup> Under the [Accounting and Financial Reporting Council Ordinance](#) (the “AFRCO”) (Cap. 588), only practice units under the AFRCO are qualified to provide audit services. Sections 20AAZZL to 20AAZZO of the AFRCO stipulate that any unqualified person who pretends to be a CPA (Practising), a CPA firm or a corporate practice, uses certain misleading descriptions or provides audit services commits a criminal offence.

- (b) To require a Hong Kong incorporated company to indicate in its profits tax returns the practising certificate number of the CPA (Practising) who issued its independent auditor's report on the financial statements for the subject returns starting from the year of assessment 2024/25.

## **HKICPA Exposure Draft**

7. On 15 November 2024, the AASC released an Exposure Draft ("ED") and the accompanied explanatory memorandum ("EM") on [Proposed Amendments to Hong Kong Standard on Auditing 700 \(Revised\), Forming an Opinion and Reporting on Financial Statements and Proposed Conforming and Consequential Amendments to Other Hong Kong Standards on Auditing and Other Non-authoritative Materials](#) for public comments.
8. The ED sets out the AASC's proposal to disclose the auditor's name and practising certificate number in the auditor's report for an audit of an entity's financial statements prepared for reporting under the laws and regulations in Hong Kong conducted by a practice unit in accordance with HKSAs ("mandatory disclosure requirements").
9. "Practice unit" is defined in section 2 of the AFRCO (Cap. 588) as:
  - (a) a CPA (Practising) who practises accountancy on the accountant's own account under the accountant's own name as registered under section 22(2) of the Professional Accountants Ordinance (Cap. 50);
  - (b) a CPA firm; or
  - (c) a corporate practice.
10. The AASC also proposed to re-locate the information in footnote 35a of HKSA 700 (Revised) stating the extant practices to a new paragraph A64-1 and add explicit guidance on the mandatory disclosure requirements.
11. The proposal to mandate the disclosure of the auditor's name and practising certificate number in the auditor's report is intended to provide further transparency to the users of the auditor's report on financial statements of all entities (i.e. public interest entities and non-public interest entities). It also fosters trust and credibility in the audit profession, reassuring users of the auditor's report of the competence and integrity of the individuals conducting the audit.
12. The AASC invited comments on all matters in the ED, with particular emphasis on areas highlighted in the Request for Specific Comments section in the EM.
13. The comment period for the ED closed on 15 December 2024. The AASC received three comment letters in response to the ED. Overall, respondents did not oppose the AASC's proposal for the mandatory disclosure requirements, with one respondent providing additional feedback.

### **III. RESPONDENT'S COMMENT AND AASC DECISION**

14. A respondent expressed concern on the exclusion of auditor's reports that are prepared in accordance with standards other than HKSA 700 (Revised) or are not governed by the Companies Ordinance from the mandatory disclosure requirements as specified in the ED. The respondent indicated that parties receiving these types of auditor's reports would have similar concerns regarding the issue of "bogus accountants". For example, an auditor's report issued for assurance on the annual returns for submission to the Insurance Authority is prepared under HKSAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.
15. In responding to this comment, the AASC denoted that the basis for its proposal to limit the scope to auditor's reports issued under HKSA 700 (Revised) (including the HKSA 800 series) for mandatory disclosure requirements was explained in paragraphs 14 and 15 of the EM. The AASC reaffirmed its view based on the following considerations:
- There were no stipulations in the AFRCO mandating that engagements under Hong Kong Standards on Assurance Engagements (HKSAEs) or Hong Kong Standards on Related Services (HKSRSSs) must be carried out exclusively by a CPA (Practising). Such engagements could be conducted and the auditor's reports issued by CPAs without a practising certificate or by non-professional accountants.
  - These types of auditor's reports are not directly related to the measures addressing the bogus accountants issues as set out in paragraph 6 and are therefore excluded from the scope.

### **IV. KEY CHANGES POST THE EXPOSURE DRAFT**

16. Based on the comments received, no post ED changes are proposed except for editorial changes for the re-numbering of A64-1 to A65-1 and in the first sentence of the last paragraph in A65-1.

### **V. EFFECTIVE DATE**

17. Given that there are no comments received regarding the proposed effective date as set out in the ED, the AASC approved the mandatory disclosure requirements and the amendments to HKSA 700 (Revised) to be effective for audits of financial statements for periods ending on or after 31 March 2025. Early adoption will be permitted and encouraged to facilitate audit clients when preparing their profits tax returns for the year of assessment 2024/25.

### **VI. CONFORMING AND CONSEQUENTIAL AMENDMENTS TO HONG KONG STANDARDS ON AUDITING AND OTHER NON-AUTHORITATIVE MATERIALS**

18. The following HKSA's and other pronouncements are updated for the conforming and consequential amendments as a result of the Amendments to Hong Kong Standard on Auditing 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*.

- HKSA 510, *Initial Audit Engagements —Opening Balances*
- HKSA 570 (Revised), *Going Concern*
- HKSA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
- HKSA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*
- HKSA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- HKSA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*
- HKSA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*
- HKSA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- HKSA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements*
- PN 600.1 (Revised), *Reports by the Auditor under the Companies Ordinance (Cap. 622)*
- PN 820 (Revised 2025), *The Audit of Licensed Corporations and Associated Entities of Intermediaries*
- PN 860.1 (Revised), *The Audit of Retirement Schemes*
- PN 860.1 (Revised 2025), *The Audit of Retirement Schemes*
- PN 900 (Revised), *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard*
- Circular – Audit of Financial Statements of Owners' Corporations of Buildings – Audit Issues
- Circular on Reporting to Grantees of the Language Fund
- Circular on Reporting to Grantees of the Quality Education
- Circular on Reporting on the Audit of Schools
- Illustrative auditor's report on financial statements of a listed Exchange Traded Fund or a listed Real Estate Investment Trust
- Illustrative auditor's report on financial statements of a public fund established in the form of an Open-ended Fund Company