



**Auditing and Assurance Standards Committee**  
**Meeting Summary – December 2006**

The Auditing and Assurance Standards Committee (Committee) met on 21 December 2006.

Members present at the meeting were: Carlson Tong (Chairman), Richard George (Deputy Chairman – Represented by Derek Broadley), Keith Pogson (Deputy Chairman), Debbie Annells, Charles Chow, William Crowe, Charles Grieve, Thomas Lau, Lucia Li, Wilfred Wong, Thomas Wong and Desmond Yuen (Represented by Victoria Pau).

Secretariat staff present at the meeting were: Patricia McBride, Steve Ong, Elaine Chan and Winnie Chan.

The following agenda items were discussed:

1. Issuance of proposed Circular on Reporting on the Audit of Schools
2. Proposed Chinese version of an unqualified audit report based on HKSA 700
3. Comment Letters received on the HKICPA Exposure Draft of Discussion Paper “Requests For Special Purpose Reports”
4. Working draft of proposed Expert Panel on Securities Q&A Circular on the Audit of Licensed Corporations and Associated Entities
5. Election Affairs Commission – Financial Assistance for Legislative Council Elections
6. Draft provisions of the Companies (Revision of Accounts and Reports) Regulation

**1. Issuance of proposed Circular on Reporting on the Audit of Schools**

The Committee agreed that a revised Circular setting out some generic issues together with example sample reports should be published without any further delay. A final version of the Circular was posted on the HKICPA website on 22 December 2006, after its endorsement by the Committee by circulation, and can be accessed at: [http://www.hkicpa.org.hk/professionaltechnical/assurance/rm/audit\\_of\\_schools.pdf](http://www.hkicpa.org.hk/professionaltechnical/assurance/rm/audit_of_schools.pdf).

**2. Proposed Chinese version of an unqualified audit report based on HKSA 700**

The Committee endorsed a suggested Chinese translation of an unqualified auditor’s report based on HKSA 700 *The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements*. The suggested Chinese translation was posted on the HKICPA website on 22 December 2006 and can be accessed at: [http://www.hkicpa.org.hk/professionaltechnical/assurance/example\\_auditors/HKSA700.pdf](http://www.hkicpa.org.hk/professionaltechnical/assurance/example_auditors/HKSA700.pdf).

**3. Comment Letters received on the HKICPA Exposure Draft of Discussion Paper “Requests For Special Purpose Reports”**

The Committee noted that the consultation period of the Institute’s Invitation to Comment ended on 31 October 2006 and seven comment letters were received.

The Committee requested the secretariat to arrange the comment letters to be considered by the Working Group on Types of Reporting and the Working Group’s recommendations would be considered by the Committee at future meetings.

#### **4. Working draft of proposed Expert Panel on Securities Q&A Circular on the Audit of Licensed Corporations and Associated Entities**

The Committee considered the working draft Q&A prepared by the secretariat in conjunction with the Expert Panel on Securities and noted that the points mentioned in the Circular were rather generic. The Committee raised no objection to issue the proposed Circular given the following points noted by the Panel and the secretariat that:

- a large number of Licensed Corporations are audited by small firms;
- the SFC has been requesting more guidance be provided to our smaller practitioners;
- Practice Note 820 "Audit of licensed corporations and associated entities" was issued in February 2004 and refers to Statement of Standards on Auditing and not the current Hong Kong Standards on Auditing. Accordingly, some update on this matter would be useful for smaller practitioners given the proposed revision to PN 820 is planned to be completed later in 2007; and
- the proposed Circular includes an example unqualified audit report based on HKSA 700.

The Circular setting out the Audit Issues Q&As on Audit of Licensed Corporations and Associated Entities of Intermediaries was posted on the HKICPA website on 19 January 2007 and can be accessed at:

[http://www.hkicpa.org.hk/professionaltechnical/assurance/rm/EPS\\_0701.pdf](http://www.hkicpa.org.hk/professionaltechnical/assurance/rm/EPS_0701.pdf).

#### **5. Electoral Affairs Commission – Financial Assistance for Legislative Council Elections**

The Committee noted that the HKICPA was requested by the Electoral Affairs Commission to advise whether HKSAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* would be an appropriate Standard for their purposes given that SAE 200 *High Level Assurance Engagements* has now been withdrawn.

After discussion, the Committee requested the secretariat to carry out further research for the Committee's consideration. The Committee also requested the secretariat to seek the views from IAASB on whether HKSAE 3000 is the appropriate standard for declared election expense claims.

The secretariat sought the views of the IAASB and reported the IAASB's comments to the Committee by circulation. The Committee agreed by circulation that in the absence of the equivalent ISA 800 "The Auditor's Report on Special Purpose Audit Engagements" in Hong Kong, HKSAE 3000 would be an appropriate standard, in the interim, to replace SAE 200 for reporting on the declared election expense claims.

#### **6. Draft provisions of the Companies (Revision of Accounts and Reports) Regulation**

The Committee noted that the Financial Services and the Treasury Bureau (FSTB) had proposed certain deletions to the draft regulation to address the concerns of the treatment to events subsequent to balance sheet date. The Committee expressed concern on the proposal by the FSTB and requested the secretariat to carry out some research on the related UK regulation and to seek further clarification from the FSTB.

The secretariat held discussions with the FSTB and obtained the Committee's endorsement by circulation on the following matters:

- Paragraph 17 of HKSA 560 (Revised) "Subsequent Events" allows local regulations of some countries to permit the auditor to restrict the audit procedures regarding the revised financial statements to the effects of the subsequent event

that necessitated the revision. In such cases, the new auditor's report would contain a statement to that effect. It would appear that paragraph 17 of HKSA 560 applies to the proposed Companies (Revision of Accounts and Reports) Regulation (draft dated 28 December 2006)

- There should not be any "back dating" of the auditor's report. The date of the revised auditor's report should be dated in accordance with HKSA 700
- The proposals should include stipulations comparable to section 6 of the related UK regulation clarifying that the auditor's responsibility is to express an opinion on the revised financial statements "seen as at the date of the original financial statements were approved"
- The new auditor's report should include an emphasis of matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the revision of the previously issued financial statements and to the earlier report issued by the auditor
- The draft Regulation should clearly set out that the auditor is only required to consider post balance sheet events up to the date the original accounts were approved by the board of director, with the new audit report being dated in accordance with HKSA 700

A reply dated 5 January 2007 was forwarded to the FSTB by the secretariat covering the abovementioned points after obtaining the Committee's and Council's approval by circulation.

**Copyright 2007 The Hong Kong Institute of Certified Public Accountants. All rights reserved.**

**Permission is granted to make copies of this Meeting Summary provided that such copies are for use in academic classrooms or for personal use and are not sold or disseminated, and provided further that each copy bears the following credit line: "Copyright by the Hong Kong Institute of Certified Public Accountants. All rights reserved. Used by permission". Otherwise, written permission from the Hong Kong Institute of Certified Public Accountants is required to reproduce, store or transmit this document, except as permitted by law.**

**Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee's deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.**