



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

The Auditing and Assurance Standards Committee (Committee) met on 27 March 2006.

Members present at the meeting were: Carlson Tong (Chairman), Richard George (Deputy Chairman), Keith Pogson (Deputy Chairman), Debbie Annells, Colin Chau, Patrick Cheng, Charles Chow, William Crowe, Charles Grieve, Amy Law, Lucia Li, Ng Shiu Hong, Michael Sim, Wilfred Wong, Thomas Wong, Kelvin Wong, Vivien Wong and Desmond Yuen.

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

The following agenda items were discussed:

1. Revised Terms of Reference
2. AASC/IAASB Meeting on 10 March 2006 and ISA 800 “The Auditor’s Report in Special Purpose Audit Engagements”
3. HKICPA submission on IAASB ED of Improving the Clarity of IAASB Standards
4. Proposed Exposure Draft of Discussion Paper “Requests for Special Purpose Reports”
5. Audit Reports – Reference to Hong Kong Standards on Auditing
6. Industry Consultation on Draft Accounting Manual for Television Programme Service Licensees
7. Accountants’ Report Project – Progress Report

**1. Revised Terms of Reference**

The Committee approved the revised Terms of Reference of the Committee, which was updated to reflect that one of the tasks of the Committee is to develop and issue Standards on Investment Circular Reporting Engagements.

**2. AASC/IAASB Meeting on 10 March 2006 and ISA 800 “The Auditor’s Report in Special Purpose Audit Engagements”**

The Committee noted that the HKICPA successfully held a welcoming dinner for the IAASB and that the Committee had a very fruitful meeting with the IAASB Deputy Chairman, Denise Esdon, and Technical Director, Jim Sylph, discussing topics of common interest.

The following matters were noted/reported:

(a) Proposed ISA guide for Small and Medium Entities

It was noted that a paper-based guide would be available in 2007 subject to tenders received being acceptable to the IFAC Board.

(b) Progress of ED of ISA 701 “The Independent Auditor’s Report on Other Historical Financial Information”

It was noted that ISA 701 would be issued as a re-exposure draft in December 2006 and would not be issued as a final standard until late 2007.

(c) HKICPA draft Discussion Paper “Requests for Special Purpose Reports”

The IAASB Technical Director commented that the draft discussion paper was a good and useful document and suggested some minor changes to the contents.

(d) HKICPA draft comments on the IAASB ED of Improving the Clarity of IAASB Standards

It was brought to the IAASB representatives’ attention that it is important for the IAASB to identify and evaluate the adequacy of all the objectives of all the present ISAs, to meet the overarching objective of an audit, before proceeding much further with the Clarity Project.

(e) ISA 230 – New Documentation Requirements

It was noted that auditors could face difficulties in meeting the new documentation requirement to assemble the final audit file within 60 days after the date of the auditor’s report, if the finalization of the audit is not planned properly.

(f) Investment Reporting Circulars

It was noted that due to a limitation of resources, the IAASB had not planned to start developing standards for investment reporting circulars. The Committee was requested to formally write to the IAASB to recommend the importance of developing international standards on the subject for Hong Kong.

Given that the proposed ISA 701 “The Independent Auditor’s Report on Other Historical Financial Information” would not be finalized until late 2007, the Committee agreed that consideration should be given as to whether the extant ISA 800 “The auditor’s report in special purpose audit engagements” should be adopted, with appropriate amendments for Hong Kong purposes. The secretariat was requested to develop a proposal for the Committee’s consideration.

**3. HKICPA submission on IAASB ED of Improving the Clarity of IAASB Standards**

The Committee noted that Council’s approval had been obtained at its March meeting and the submission would be forwarded to the IAASB shortly.

*[Post meeting note: The HKICPA submission was forwarded to the IAASB on 28 March and is available on the Institute’s website.]*

**4. Proposed Exposure Draft of Discussion Paper “Requests for Special Purpose Reports”**

The Convenor of the Working Group reported that written comments have been received from the IAASB and explained to the Committee how the IAASB comments were taken up in the revised draft.

The Committee endorsed the revised draft and agreed that the draft would be submitted to Council for approval as an exposure draft for a consultation period of six months. Thereafter, the exposure draft should be forwarded to all interested parties for consideration and a request to meet with them to discuss how the extant reporting requirements may be affected by findings in the exposure draft, due to new Auditing and Assurance Pronouncements issued by the IAASB.

**5. Audit Reports – Reference to Hong Kong Standards on Auditing**

The Committee noted that auditors had been reminded in the HKICPA's publication, TechWatch issue number 40, to apply Hong Kong Standards on Auditing (HKSAs) to all audits of financial statements for periods beginning in or after 15 December 2004, i.e., starting with December 2005 year end-audits.

Given the above, the Committee recommended that practising members, in their Audit Report for financial statements for periods beginning on or after 15 December 2004, should indicate that they have conducted their audit in accordance with HKSAs instead of Statement of Auditing Standards.

**6. Industry Consultation on Draft Accounting Manual for Television Programme Services Licensees**

The Committee noted that a referral had been received from the Financial Reporting Standards Committee in relation to the audit reporting requirements of the consultation paper. Members of the Committee were requested to pass the relevant sections of the consultation paper to their specialist department for comment.

**7. Accountants' Report Project – Progress Report**

The Committee noted the issuance of HKSIR 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" and AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars", which had been endorsed by the Committee by circulation.

The Committee noted that a number of nominations for a Working Group on the project had been received. It was agreed that the Working Group would be responsible for the finalisation of the HKSIR series and development of guidance on assistance to sponsors on internal controls reporting

Certain members reiterated their views that it would be important to set out standards which requires the financial information of a listing entity to be prepared by a party that is independent of that reporting on it.

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