



Auditing and Assurance Standards Committee
Meeting summary – November 2004

The Auditing and Assurance Standards Committee (Committee) met on 23 November 2004.

Members present at the meeting were: Carlson Tong (Chairman), Charles Chow (Deputy Chairman), Richard George (Deputy Chairman), Deborah Annells, Arthur Chan, Patrick Cheng, William Crowe, Charles Grieve, Paul Hebditch, Lucia Li, Man Mo Leung, Paul F. Winkelmann, Thomas Wong, Lesley Yeung and Desmond Yuen.

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

The following agenda items were discussed:

1. International Convergence – Progress report
2. PN 830 “Reports by auditors under the Banking Ordinance”
3. Proposed guidance on acting as scrutineer at a general meeting of a listed issuer
4. Guidance to auditors with regard to preliminary announcements of results for the full year
5. ICAEW Audit & Assurance Faculty
6. Training for members on the introduction of the new Hong Kong Auditing Standards

1. International Convergence – Progress report

The Committee noted that there had been significant progress made on the convergence with International Auditing Standards by issuing a number of final and proposed auditing standards over the last two months.

Apart from the following four ISAs which remain to be adopted as they are currently under revision by the IAASB, all the extant International Auditing Standards had been adopted either as final Standards or EDs:

- ISA 230 “Documentation”
- ISA 600 “Using the Work of Another Auditor”
- ISA 700 “The Auditor’s Report on Financial Statements”
- ISA 800 “The Auditor’s Report on Special Purpose Audit Engagements”

It was noted that the IAASB had issued EDs of proposed revised ISA 230, ISA 600 and ISA 700 for consultation, and that the HKICPA had issued Invitations to Comment concurrently under the International Convergence Due Process. It was also noted that the IAASB is revising ISA 800 and an ED is expected to be issued in mid 2005.

These remaining ISAs would be adopted by the Committee once they are revised by the IAASB.

ISAE 3400 (Previously ISA 810) “The Examination of Prospective Financial Information”, which had been issued as Exposure Draft/SAS 730, would be finalized as part of the HKSIR series.

[Post meeting note: The IAASB issued in December 2004 final ISA 700 (revised) “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements” and new ISA 701 “Modifications to Independent Auditor’s Report”. The HKICPA would adopt these revised and new ISAs by issuing them first as Exposure Drafts.]

2. PN 830 “Reports by auditors under the Banking Ordinance”

The Committee noted that the Institute received 3 submissions on the ED, one from the Hong Kong Monetary Authority with minor comments, and two from the industry associations with no comments.

The Committee confirmed the Expert Panel of Banking's analyses of the applicable reporting framework as included in the Explanatory Memorandum to the ED, i.e. HKSAE 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" is applicable to reporting engagements on banking returns under section 63(3) and (3A) of the Banking Ordinance.

Subject to some minor changes, the Committee endorsed that the proposed PN be submitted to Council for approval for issue as a final PN to be effective upon issue.

[Post Meeting Note: The final PN 830 was issued in January 2005 after its approval by Council at its December meeting.]

3. Proposed guidance on acting as scrutineer at a general meeting of a listed issuer

The Committee considered the revised proposed guidance prepared by the secretariat updated with editorial changes agreed by the Committee at the last meeting. It was agreed that the paragraph which recommends that practising members include a statement in their report of factual findings when they are not independent in relation to acting as scrutineer for a poll in respect of their reappointment as auditors should be retained.

[Post Meeting Note: The draft proposed guidance was forwarded to the SFC/HKEx on 23 November 2004 for comments.]

4. Guidance to auditors with regard to preliminary announcements of results for the full year

The Committee noted that HKEx had invited the HKICPA to issue guidance to auditors with regard to preliminary announcements of results for the full year. It was agreed that the HKICPA should develop guidance based on the UK APB Bulletin on Auditors' Association with Preliminary Announcements, with local adaptation, given that both the Listing Rules in Hong Kong and the UK on this issue are similar as they require that the preliminary announcements shall be based in the issuer's financial statements for the financial year which shall have been agreed with the auditors.

5. ICAEW Audit & Assurance Faculty

The Committee discussed briefly the different possible approaches of introducing the services provided by the ICAEW Audit & Assurance Faculty in Hong Kong and was of the preliminary view that the HKICPA could add value to the ICAEW Audit & Assurance Faculty's publications for local CPAs by incorporating local auditing and assurance guidance developed by the HKICPA.

The Committee agreed to consider this matter further after the secretariat had prepared a discussion paper.

6. Training for members on the introduction of the new Hong Kong Auditing Standards

The Committee noted that the following training was provided by the Institute to practitioners on the introduction of the new Hong Kong Auditing Standards:

- Technical Update Evenings (TUE) were held for practitioners on the new Audit Risk, Quality Control, Fraud Consideration and Planning Standards. Re-run sessions would be held where there is a need. New TUE session is planned for January 2005 on the 21 Replacement Hong Kong Auditing Standards;
- Articles were published in "TechWatch" and "The Hong Kong Accountant" publicizing the release of these new Standards; and
- Annual Auditing Update Conference was tentatively scheduled for March 2005 with these new Standards as the main focus.

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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.