



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

The Auditing and Assurance Standards Committee (Committee) met on 26 October 2006.

Members present at the meeting were: Carlson Tong (Chairman) Keith Pogson (Deputy Chairman), Colin Chau, Patrick Cheng, Charles Chow, William Crowe, Thomas Lau, Amy Law, Lucia Li (Represented by Li Kwok-tso), Michael Sim, Wilfred Wong, Thomas Wong and Desmond Yuen (Represented by Victoria Pau).

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

The following agenda items were discussed:

1. Adoption of HKSRE 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity”
  2. Revised Working Draft of proposed Example Report for Incorporated Management Committee Schools under the Education (Amendment) Ordinance 2004
  3. ICAEW Technical Release “Identifying and managing certain risks arising from the inclusion of reports from auditors and accountants in prospectuses (and certain other investment circulars)”
  4. HKICPA Annual Auditing Update Conference held on 21 October 2006 and HKICPA Seminar for SFC/SEHK on 10 October 2006 on Draft Discussion Paper “Requests For Special Purpose Reports”
  5. PN 900 “Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard”
1. **Adoption of HKSRE 2410 “Reviewed of Interim Financial Information performed by the Independent Auditor of the Entity”**

The Committee considered the draft HKSRE which is based on the equivalent ISRE 2410 and noted that the draft HKSRE is limited to a review of interim financial information performed by the independent auditor of the financial statements of the entity, effective for reviews of interim financial information for periods beginning on or after 15 December 2006. A practitioner who is engaged to perform a review of interim financial information for periods beginning on or after 15 December 2006, and who is not the auditor of the entity, should perform the review in accordance with HKSRE 2400, “Engagements to Review Financial Statements”. Once HKSRE 2410 is issued, SAS 700 “Engagements to review interim financial reports” would remain applicable for reviews of interim financial information for periods beginning before 15 December 2006.

The Committee recommended that the above be set out clearly on the front page of the HKSRE for clarity and suggested certain local guidance to be reflected as footnotes, including the point that in Hong Kong, listed issuers would normally prepare “condensed” financial statements in their interim financial report.

The secretariat was requested to prepare a revised draft for the Committee’s further consideration.

**2. Revised Working Draft of proposed Example Report for Incorporated Management Committee Schools under the Education (Amendment) Ordinance 2004**

The Committee considered the revised working draft example report to meet the requirements of the auditing standards and the Education and Manpower Bureau (EMB) under the Education Ordinance.

The Committee requested the secretariat to prepare a draft circular on reporting on the audit of Incorporated Management Committee schools to include the proposed example report for endorsement by the Committee by circulation. The draft circular should include a paragraph to remind auditors that the attached report in the circular is an example only and that they should use their professional judgement to ascertain the exact circumstances of each of their audits. Depending on circumstances, an auditor may reach a different conclusion on either compliance with the EMB Code of Aid and other EMB requirements or on whether the accounts present fairly the transactions in accordance with HKFRSs. The example audit report will need to be modified to reflect the auditors' opinion.

*[Post meeting note: The Committee has further revised the proposed Example Report and plans to finalise by circulation.]*

**3. ICAEW Technical Release “Identifying and managing certain risks arising from the inclusion of reports from auditors and accountants in prospectuses (and certain other investment circulars)”**

The Committee noted that a member has requested the ICAEW Technical release, which addresses safeguards for accountants who prepare reports for inclusion in or in connection with prospectuses, be considered and if appropriate, guidance be provided to practicing members. It was noted that the Committee together with the Professional Liability Committee (previously known as the Professional Risk Management Committee) had in 2003 developed Professional Risk Management Bulletin 2 “Auditors’ Duty of Care to Third Parties and The Audit Report” based on a similar ICAEW Technical Release.

The Committee discussed the matter and agreed that the Technical Release should be referred to the Professional Liability Committee for further consideration.

**4. HKICPA Annual Auditing Update Conference held on 21 October 2006 and HKICPA Seminar for SFC/SEHK on 10 October 2006 on Draft Discussion Paper “Requests For Special Purpose Reports”**

The Chairman thanked Committee members who spoke at the Annual Auditing Update Conference and the seminar for SFC/SEHK.

The secretariat reported that the Annual Auditing Update Conference had covered the key auditing and assurance topics, as follows:

- Fraud consideration – HKSA 240
- Improving Audit Documentation – HKSA 230
- The New Audit Report Standards – HKSA 700 and HKSA 701
- Draft Discussion Paper Exposure Draft “Requests For Special Purpose Reports’
- Accountants’ Reports on Pro Forma Financial Information in Investment Circulars – HKSIR 300
- Comfort Letters and Due Diligence Meetings on Financial and Non-financial Information – HKSIR 400

**5. PN 900 “Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard”**

The Committee considered PN 900 in the light of the issuance of the new Audit Report Standards (HKSA 700 and HKSA 701) and it was agreed that since an audit of financial statements prepared in accordance with the SME-FRS has to apply all Hong Kong Standards on Auditing (except where otherwise stated in the HKSAs concerned), the audit report for SME-FRS should also adhere to the principles of HKSA 700 and HKSA 701.

The Committee requested the secretariat to update PN 900 to take into account of HKSA 700 and HKSA 701, including providing an unqualified example audit report.

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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.**